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COMMENT PAGE 21  
**SUZANNE MOORE:  
WHO'S FOETUS  
IS IT ANYWAY?**

## Nurses and teachers face pay clampdown

Colin Brown  
Diane Coyle  
and Barrie Clement

Millions of public-sector workers - from doctors and nurses to teachers and soldiers - are facing a "very tough line" on pay rises next year from Gordon Brown, the Chancellor, as part of a renewed squeeze on public sector spending.

The Chancellor reinforced his warning to Cabinet colleagues yesterday of the need to stay within the spending limits inherited from the Tories, and ordered them to carry out reviews within their departments to find more savings.

Mr Brown is expected to emphasise the need to keep down pay awards in the public sector in his evidence in September to the pay-review bodies for nurses, doctors, teachers, and the armed forces. "There will be a very tough line on public-sector pay," said the Prime Minister's office.

After years of restraint on pay, a further year of tough controls on pay rises in the public sector could provoke difficulties for the Government. Rapid pay growth in the private sector will increase the pressure for a catch-up in public-sector pay.

New figures earlier this week showed that earnings for private-sector workers are now growing twice as fast as pay in the public services. The gap, which opened up in mid-1993, has widened markedly since early last year - as the Bank of England noted in an assessment of pay pressures in its inflation report this week.

Adam Cole, an economist at City brokers James Capel, said:



PLUS ÇA SMALL QUINCE

Recent business surveys report increasing concerns about skill shortages and rising salaries

demands for increases higher up the pay scale.

Union leaders are privately dismayed that ministers are insisting on keeping the lid on public-sector pay but were also keen yesterday not to antagonise the Government for fear of provoking the withdrawal of plans to legislate on industrial relations.

The "big prizes" for the union movement are a law on union recognition and the repeal of legislation which means that union members have to keep re-authorising the deduction of subscriptions from their wages.

Employees' representatives were also loath to attack the Government on the day it lifted the ban on unions at GCHQ and in the wake of the pledges to sign the Social Chapter of the Maastricht Treaty and introduce a national minimum wage.

Yesterday's warning to Cabinet ministers of the need to trawl through their departmental budgets in a swift review

of spending priorities was foreshadowed in the Labour election manifesto, and could herald changes for 1998-99. Whitehall sources said it could mean moving savings from defence, where a fundamental review of commitments is being carried out, to health, education or other welfare budgets.

Frank Dobson, the Health Secretary, this week met BMA leaders, who are concerned at the inadequacy of the health budget inherited from the Tories.

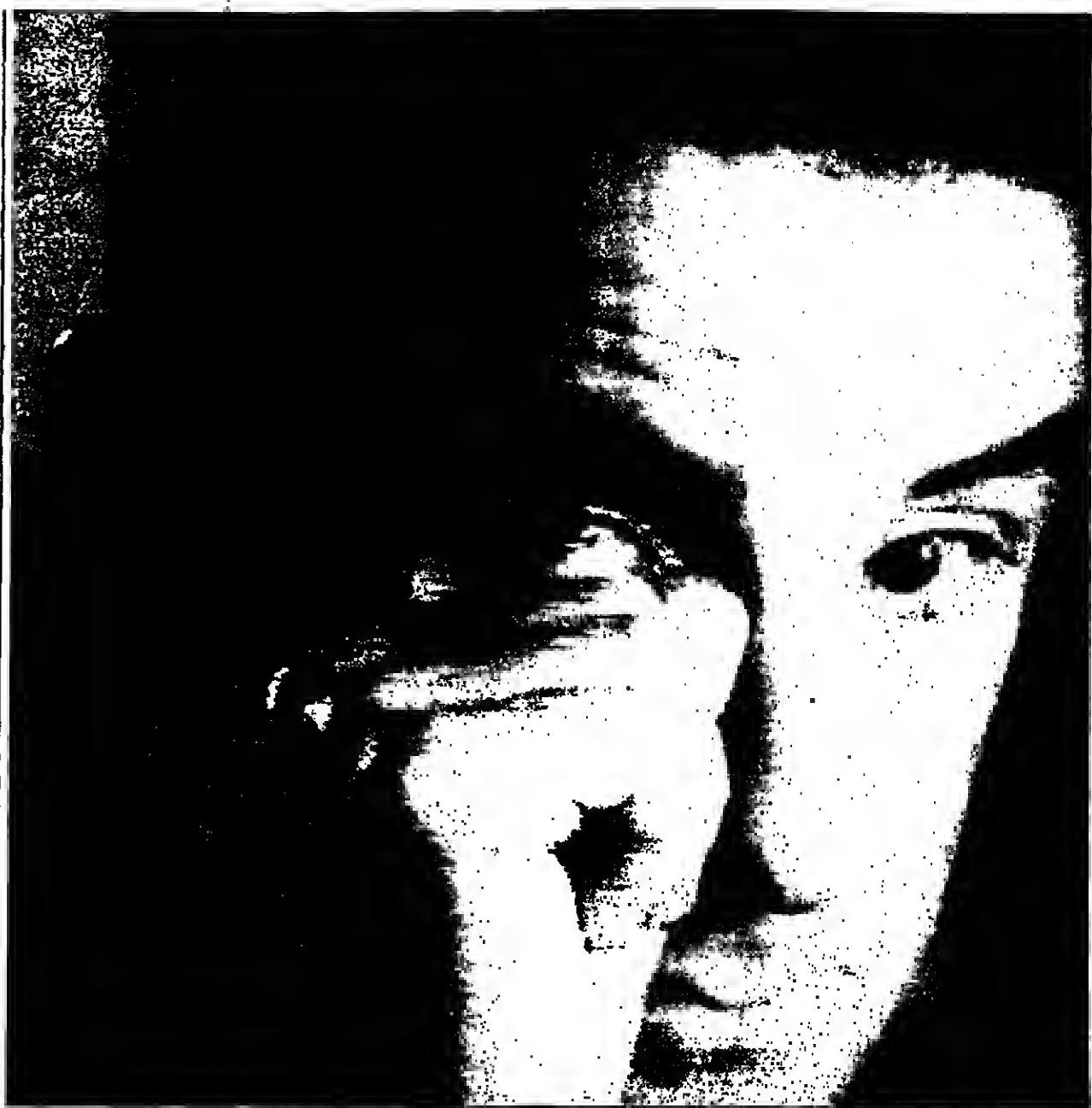
One BMA source said family doctors would threaten to walk out of their pay-review body if they were held to around the inflation rate of 2.5 per cent for another year.

The Downing Street spokesman said: "The Prime Minister and the Chancellor made brief contributions (at Cabinet) on the importance of the public-spending review and both stressed the importance they attached to it and their desire that their colleagues should be going over all the programmes in their departments to make sure money was being well spent."

After the reviews, ministers will enter discussions with Chief Secretary to the Treasury Alistair Darling and, if necessary, the Chancellor.

The initial proposal in opposition was for a one-year review but it now appears that Mr Blair and Mr Brown are keen to proceed as quickly as possible.

Downing Street insisted there was no date yet for the Budget and that the Treasury would announce it in due course.



Moment of truth: Peter Mandelson composing himself before continuing with the television interview Photograph: BBC

## Mandelson's human face

Michael Streeter

Coming from a man given the title Prince of Darkness - and other inhuman epithets - it is a revelatory moment.

Peter Mandelson, also called the Minister of Black Arts because of his prowess as a spin doctor, is to be shown on television in tears.

This public display of emotion, which may just help to melt some of the icy mistrust with which he is regarded by many fellow Labour Party members, comes in an interview in which he talks about the death of his father George.

Asked by clinical psychologist Oliver James if he can remember where he was when his father died, the Minister Without Portfolio nods, then pauses. As tears well in his eyes, he shakes his head and mumbles: "I can't go into that..."

Visibly moved by the recollection of the death, Mr Man-

delson is then asked: "Do you want to take a moment?"

The MP rubs his nose and replies: "I'm all right", before wiping tears away as the interview moves on to other subjects.

Mr James, who interviewed the MP for a new series called *The Chair*, which begins on BBC 2 next week, said he was "amazed" at the show of feeling from such a public figure.

He said: "The person who I was led to believe from the [newspaper] cuttings was the Prince of Darkness, a manipulator, was remarkably different from that. It is very unusual for somebody to be able to be in touch with their emotions yet also be the tough, hard person they have to be."

It was a positive sign for someone in his position to be aware of their background and their past, to "know where they are coming from", said Mr James.

Elsewhere in the 20-minute interview, due to be broadcast

on 4 June, Mr Mandelson talks with evident pride of his Labour background and the fact that his maternal grandfather was the Labour minister Herbert Morrison. Early in his childhood he had "become my grandfather's grandson".

He talks movingly of his close bond with his mother Mary, who is still alive, and who was the "backbone" of the family, and of the "mutual admiration" he had with his father,

even though he blamed his father's generation of Labour Party members for allowing in *Militant Tendency*, consigning the party to years in opposition.

The interview was conducted 18 months ago and its appearance now - in a series involving other public figures such as football manager George Graham and *East-Enders* actress Patsy Palmer - has come many months later than the MP expected.

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### QUICKLY

#### Devolution Bills

The "landmark" Bill on Scottish and Welsh devolution was published yesterday by the Government, paving the way for the two historic referendums to be held by the Autumn. The referendums in Wales and Scotland will be held before the main Bills, establishing the Scottish Parliament and the Welsh Assembly, are passed by Parliament. Page 5

#### Howard setback

Michael Howard faces being outstaged by Ann Widdecombe, what was to be his showcase to convince Tory MPs that he is the one man tough enough to take on Tony Blair. The former home secretary was hoping to use the Queen's Speech law and debate on Monday to gather votes for his leadership bid. Page 7

#### Defence review

The US Congress yesterday said first details of a big defence review that will reduce military spending, cut troop numbers and force the closure of an unspecified number of bases in the US, but not abroad. Page 17

## Poet begs release from stain of blood

David McKittrick  
Ireland correspondent

Seamus Heaney's image, "a space has been created in which hope can grow," came to be associated with the Northern Ireland peace process and the desire for an end to war. The award to the poet of the Nobel prize for literature was one of those shining moments in which the best of Ireland was on show.

Now, Heaney, like everyone else, is struggling to come to terms with the continuing eruptions of violence which in recent times have left three people dead, brought about much destruction, and left community nerves on edge.

In January of last year, Heaney's home town of Bellaghy in County Derry celebrated his Nobel prize, fitting him for the glory he had brought it. The evening was hosted by one of the town's leading figures, Sean Brown, who presented the poet with a painting of the local Lough Beg.

On Monday night last, Sean

*Official and public. It was more like a purification, a release from what the Greeks called the miasma, the stain of spilled blood. It is a terrible irony.*

**Plea:** An extract from Heaney's impassioned letter sent to the 'Irish News'

Brown was locking up the local Gaelic Athletic Club premises when a gang of loyalist gunmen jumped him, bundled him into his own car and drove him away. Less than an hour later, gunmen were called to Randalstown, ten miles away, to deal with a burning car: as they put out the blaze they found Sean Brown's body nearby.

His death moved Heaney to write to the *Belfast Irish News*. "Sean Brown's murder was shocking and sinister. I have

known two generations of the Brown family. They are people of great probity, much respected in the Bellaghy district, so my heart goes out to them at this moment..."

"He represented something better than we have grown used to, something not quite covered by the word 'reconciliation' because that word has become a policy word - official and public. This was more like a purification, a release from what the Greeks called the miasma, the

stain of spilled blood. It is a terrible irony that the man who organised such an event should die at the hands of a sectarian killer."

Mr Brown was 61 years old. He left behind a wife, six children and a community stunned by the injustice of it all. In its time Bellaghy has produced some notorious republican gunmen, among them Dominic McGlinchey, but Mr Brown was not in this tradition. Rather, he was a civil servant



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Draper exhausts ailing champion

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# New squad to tackle serial killer cases

Jason Bennett  
Crime Correspondent

A new national crime unit is being set up to investigate a series of unsolved and to establish whether serial murderers and rapists are operating in Britain.

The 26 strong Serious Crime Bureau, which has a £1.7m annual budget, will also examine unsolved gay murders, missing people where foul play is suspected, and serious sex attacks.

Among the cases likely to be investigated are the murders of Rachel Nickell, 23, stabbed to death in Wimbledon Common, south London, in July 1992 as she walked with her two-year-old son and their dog.

Bureau will incorporate the findings of an on-going investigation called Operation Enigma, which is examining possible links between more than 250 unsolved murders of women and killings involving prostitutes.

Information will be examined by a number of teams specialising in detective work: crime analysts; statisticians; psychologists; and sexual offence experts. They will examine different aspects of cases, such as the cause of death and injuries, the victim's background, DNA samples, suspects, and the location of attacks, in an attempt to identify common links.

The decision to set up a specialist unit to examine serial criminals follows the work of Operation Enigma into killers who prey on women, particularly prostitutes.

The importance of having greater cross-references and liaisons between forces was illustrated in the Yorkshire Ripper inquiry during which Peter Sutcliffe was interviewed nine times before he was identified as the key suspect.

In the case of Frederick and Rosemary West, although the couple were repeatedly questioned by police, they abducted and murdered a number of women before being caught.

## Once upon a time there was listen with mother. Now it's read with father

Judith Judd  
Education Editor

Fathers who do not read with their sons at home may provide a clue to boys' failure to match girls in literacy, according to new research released yesterday.

An intensive, year-long study from Exeter University of 5- to 11-year-olds suggests that boys struggle with reading partly because of the feminine culture surrounding children in their early years.

Most infant-school teachers and parent helpers are female, mothers do most to help with reading at home and many primary schools do not offer boys enough books about sport and adventure, the study says.

Researchers followed nearly 300 primary children of different abilities from various schools throughout the country for a year and found that the boys were about four or five points behind the girls when they were first tested in reading at the age of six. The gap on a test where the average was 100 was still the same for 11-year-olds.

However, the research - part of the Leverhulme Primary Improvement Project - found that some boys did improve, particularly if they had supportive fathers or grandfathers and if their teachers tried to tailor reading matter to their interests.

In general, boys were given less help at home than girls. Mothers were much more likely to read with them than fathers. About three-quarters of five- to seven-year-olds' mothers read with their children compared with half the fathers, and between the ages of seven and eleven the figure for fathers was down to one-quarter, although half the mothers still read regularly with their children.

Professor Ted Wragg of Exeter University's department of education, who directed the project, said: "One of the most significant findings of the study is the role of

mothers in teaching reading. If there is a problem with boys, it is obvious that fathers have got to get more involved."

One argument often used to explain why girls outperform boys - that boys mature later - was not the point, he said. There are teachers and parents who do work with boys and they do make a difference. Just because boys start behind girls does not mean that they have to stay there, Professor Wragg said.

Reasons for boys' underachievement were complicated but certainly included pessimism about employment prospects, which filtered down even into primary schools. Girls were not cleverer than boys, he added. In 1983/4 the gap between the number of boys and girls who obtained five high grades at 16-plus (O-level) was less than 1 per cent but by 1995/6 girls had drawn ahead by nearly 10 per cent.

Teachers questioned in the study said that boys lagged behind girls not only in literacy but also in their ability to concentrate, determination in the face of difficulties, productivity, self-esteem and social skills.

In the *Times Educational Supplement* Greenwich lecture in London last night, Professor Wragg argued that boys' underachievement was one of the main challenges facing the Labour government. Urgent action was needed, he said, because in the 21st century there would be fewer jobs than ever for those with little knowledge and poor social skills.

Professor Wragg put forward a 10-point plan, which included encouraging more fathers to help at home so that reading was not seen as a purely female activity, appealing to boys' interests, ensuring that boys attended nurseries so that they could make an early start on language activities and learn how to behave in class, and identifying potential underachievers in both primary and secondary schools.



Story time: Girls gain an early advantage in literacy but boys could do better if their fathers read with them more, researchers say. Photograph: Pauline Lawrence

### The gender gap

Five or more GCSE grades at A-C 1995/6: boys 39.3 per cent; girls 49.3 per cent.

English GCSE grades at A-C: boys 46.9 per cent; girls 64.4 per cent. Design and technology GCSE grades at A-C: boys 33.1 per cent; girls 48.6 per cent.

Exclusions from secondary school 1994/5: boys 7,197; girls 1,663. Exclusions from primary school: boys 1,177; girls 91.

Full-time undergraduates 1995/96: males 453,600; females 470,500. Figures for England and Wales.

## Doctors demand tighter laws on surrogacy

Glenda Cooper  
Social Affairs Correspondent

Doctors yesterday called for the law on surrogacy to be tightened - particularly concerning money paid as expenses - after a mother revealed she had not, after all, aborted a child she was carrying for a Dutch couple.

Karen Roche was said to have panicked about Clements and Sonja Peeters' commitment to the baby, and falsely claimed she had had an abortion to break the contract with them. She and her husband now intend to bring up the child as their own.

Kim Cotton, Britain's first commercial surrogate mother and founder of the surrogacy agency Cots, which she introduced them, said that she was delighted the abortion had not taken place but said she had "grave concerns" over the Peeters' conduct during the pregnancy - for which they were paying Mrs Roche £12,000 expenses. She added that there was no way she could make Mrs Roche hand over the baby.

Dr Bill O'Neill, ethics and science adviser to the British Medical Association, said the case demonstrated "a need for greater monitoring and perhaps, in time, regulation".

Baroness Warnock, who chaired the Human Fertilisation committee which looked at surrogacy in the 1980s and said she felt the practice of surrogacy was exceptionally dubious. "If it was up to me it would be an offence



Unhappy alliance: Karen Roche (left) and Sonja Peeters

to act as a surrogate mother or select a surrogate mother," she told the BBC Radio's *World at One*, and she urged the Human Fertilisation and Embryology Authority to use it as a test case in order to make recommendations for future legislation.

There are currently two recognised surrogacy agencies in Britain, the better-known of which is Cots (Childlessness Overcome Through Surrogacy), set up in 1988 by Mrs Cotton.

It is a non-profit-making organisation staffed completely by volunteers. Women are usually paid around £10,000 expenses for carrying the baby - to include lost earnings and maternity wear. Although it offers guidelines, the agency - which is said to have made introductions re-

sulting in 200 surrogate babies - is unable to enforce any deals.

While Mrs Roche's case demonstrates the problems with the way surrogacy is managed, it also highlights the difficulties of regulation. As Ruth Deech, chairman of the HFEA points out: short of installing a "police man in every bedroom" there is no way the law can stop a man donating sperm and a woman inseminating herself to carry a child for another. She said it might be time to look again at the 1985 Act to define more closely "legitimate" expenses.

Peter Brinsden, medical director of Bourn Hall, which has carried out the largest series of IVF surrogacies in Europe (in which an embryo provided by the couple is implanted in the

surrogate's womb), said the emphasis should be to combat commercialism. And he called for tighter regulation so that surrogacy could be carried out under the aegis of licensed clinics.

A spokesman for the Department of Health said serious consideration would be given to any concerns or suggestions.

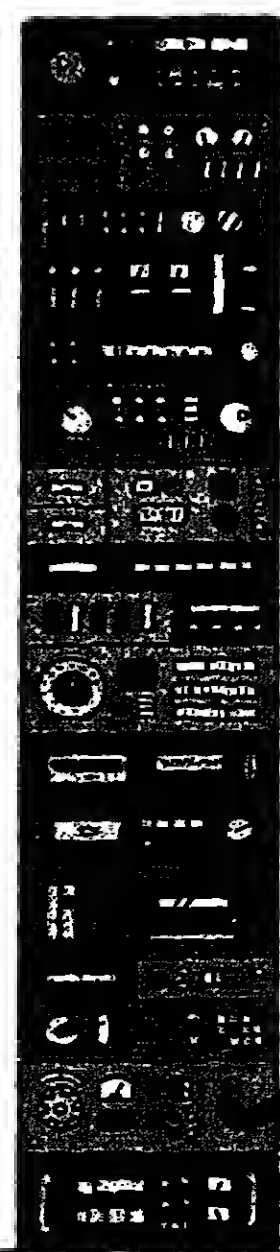
The storm over surrogacy broke in 1985 when Mrs Cotton was revealed as Britain's first commercial surrogate. The subsequent Surrogacy Arrangements Act banned advertising for surrogates or payment for surrogacy beyond reasonable expenses. The BMA initially advised doctors not to get involved in surrogacy arrangements but last year endorsed it as an acceptable treatment for infertility.

The first surrogate birth on the NHS - Jack Wells - took place just over a year ago. In other countries the situation varies, but most countries still prohibit it. In the Netherlands - the Peeters' home - it is illegal. In Israel, while commercial surrogacy is illegal, a public committee made up of two doctors, a clinical psychologist, a lawyer, a social worker and a clergyman supervises any appeal for surrogacy and it is a criminal act to make an arrangement without the committee's permission.

The US has gone furthest. Although laws differ from state to state, in some it is fully recognised and a mother can be forced to hand over the baby if she has signed a contract.

Suzanne Moore, page 21

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## news

# Film-makers reeling over Lottery cash

David Lister  
Canine

Britain's biggest Lottery award yet will set up three new mini-film studios. But the announcement of the £92m hand-out left disappointment and anger amongst some of the biggest names in British film.

Thirty-seven film consortia applied, and it was expected until yesterday that four applicants would receive money. But the Arts Council announced that only three met the criteria: Charles Denton, chairman of the council's film panel, refused to say why the 34 losers did not meet his criteria, which remain vague.

He said only that he was looking at track records, business sense, commitment and enthusiasm. The three winners are Pathé Productions, an alliance of six British producers responsible for films like *Gandhi* and *Dangerous Liaisons* with the French film company, receiving £33m; The Film Consortium (£30m), four production companies responsible for films like *Land and Freedom* and *The Crying Game* in association with Virgin Cinemas and including big names like director Ken

Loach and producers Stephen Woolley and Nik Powell; and DNA Film Limited (£29m), a company formed by Duncan Kenworthy, producer of *Four Weddings and a Funeral*, and Andrew Macdonald, producer of *Trainspotting*.

Among consortia rejected by the Arts Council were companies including Elton John's Rocket Pictures, and producers like Merchant Ivory and David Parfitt, producer of *The Madness of King George*.

Asked whether it was proper for Lottery ticket buyers' money to help finance Pathé productions, which has a strong French interest, Mr Denton replied that all applicants had guaranteed that profits would be ploughed back into British films.

At a bad-tempered press conference, Alexander Walker, film critic of the London *Evening Standard* and a former governor of the British Film Institute, protested that one winner, The Film Consortium, included the people who ran Palace Pictures, which went into receivership five years ago.

Mr Denton responded that the track records of that consortium had been examined

from a business and creative point of view.

Andrew Curtis, chairman of The New Producers Alliance, representing 200 British producers, said he was appalled that Chris Smith, Secretary of State for National Heritage, and the Arts Council had come to Cannes "to divide the British film industry on the world stage."

George Faber, former head of BBC Films and head of a losing consortium which included BBC Films, had planned to make films with leading British actors based on books by prize-winning British novelists. He said: "The brief for the application was unbelievably vague. None of the applicants has been interviewed, which surprises me."

The franchises are expected to produce over 90 British films in six years. Mr Smith said: "As the Oscars showed, the British excel in products which depend on originality and innovation."

"But just 10 per cent of all British cinema attendances are for British films. I hope that we can double that. We will be talking to distributors and franchisees."



Reflecting the times: Roger Newstead of Mobil holding the company's Economy Trophy, which dates from the Sixties, one of the artefacts in the Mobil Oil Co archive which yesterday officially arrived at the Brooklands Museum in Weybridge, Surrey  
Photograph: John Lawrence

## Arts Minister acts on Royal Opera crisis

The Government has called a crisis meeting on the future of the Royal Opera House after its chief executive, Genista McIntosh, resigned on Tuesday after four months in the job, writes Matthew Brace.

Chris Smith, Secretary of State for National Heritage, is seeking assurances that the

£214m redevelopment of the ROH in site Covent Garden, London, is making best use of government and Lottery money. His department has no direct control over the ROH but, as a provider of funds through the Arts Council, has a strong say. A spokeswoman said Mr Smith had "asked arts minister

Mark Fisher to seek an... urgent update on the status of the... redevelopment. Mr Fisher has called for an urgent meeting with Lord Gowrie." Lord Gowrie, chairman of the Arts Council, has said the plans for the Royal Opera and Royal Ballet during the redevelopment, drawn up by Ms McIntosh's pre-

decessor, Sir Jeremy Isaacs, were "a shambles".

Both companies risk homelessness after plans for a temporary "bubble" structure next to Tower Bridge fell through and the Royal Albert Hall declined to host a ballet season. Ms McIntosh left because of "ill-health and stress", the ROH

said. A week before she told a newspaper she was relishing her new job. Yesterday she said the decision to leave "was mine alone" and there had been no disagreements with the ROH chairman, Lord Chadlington, from whom she had received "enormous support and encouragement".

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## Heart case woman set to win £500,000 over unwanted baby

Patricia Wynn Davies  
Legal Affairs Editor

A judge pushed out the boundaries of the law of medical negligence yesterday as he upheld a woman's claim that she would not have borne a child had she been correctly told that she had a heart condition.

The former nurse, who is set to receive up to £500,000 in damages, gave birth to a daughter by emergency Caesarean in November 1989 shortly after being told she had pulmonary hypertension, which is made worse by pregnancy.

Mr Justice Astill ruled that the woman, who he said should not be named, was entitled to damages against Croydon Health Authority in south London after a hospital radiologist failed to correctly interpret a chest X-ray that she had in November 1988, five months before she became pregnant.

The authority accepted that the reading of the X-ray, which was part of the selection process for a new job, was negligent in that the radiologist had passed the woman as fit when the problem should have been detected.

But the authority argued that

the woman's pregnancy was not a direct or foreseeable consequence of the negligence.

Mr Justice Astill said, however: "Although she was very much wanted at conception, the child would not have been born had a proper diagnosis been made."

"She became an 'unwanted' child only when the plaintiff knew she could not be a normal mother to her, with a normal life expectancy to see her to independence."

The authority said immediately that it would appeal, and the ruling was quizzically received by some expert medical negligence lawyers.

It is the latest in a line of cases in which an unwanted pregnancy has been treated as an "injury", but the earlier decisions have involved mistakes relating directly to the reproductive process, such as negligent obstetric or gynaecological treatment, or failed sterilisations and vasectomies.

British judges are cautious about extending the limits of what is "reasonably foreseeable" for fear of encouraging a United States-style litigation explosion.

But Mr Justice Astill said:

"Pregnancy is likely to have such devastating consequences for a woman suffering from this that it should have been at the forefront of the mind of a competent radiologist."

The case is thought to be the first in which damages will be awarded to cover the cost of bringing up a child who was wanted and planned at conception, but "unwanted" at birth.

The judge said that the woman suffered a pulmonary embolism 37 weeks into her pregnancy and later spent time in hospital away from her newly-born daughter.

Even though she was likely to live 20 years from diagnosis, the woman would never work again because of severe reactive depression and she and her husband were now contemplating divorce.

"I don't accept she would have suffered in the same way if the diagnosis was made at the proper time," the judge said.

Damages covering pain and suffering, loss of earnings, the costs of raising the child and pregnancy expenses will be assessed at a later date unless the decision is successfully challenged on appeal.

## Nurses' dirty hands put patients at risk

Jeremy Lawrence  
Health Editor

Nurses who fail to wash their hands are contributing to the spread of bugs in hospitals which infect more than 60,000 patients a year, government scientists say.

Poor hygiene and the overuse of invasive devices - tubes inserted into patients to give or remove fluids - are the major causes of the infections, which include septicaemia (blood poisoning) and pneumonia, according to a study. One in ten patients at any one time has been infected while in hospital and there is a twentyfold variation in infection rates among hospitals.

Professor Alan Glynn, former director of the Central Public Health Laboratory and chief author of the study funded by the health department, said that hospital staff tended to wash their hands after intimate contact with patients' bodies rather than before. It was the most gravely ill patients who were at greatest risk but studies in the United States suggested that one-third of infections could be prevented with better controls.

"Hospital-acquired infections have been worrying health professionals for many years and are now worrying patients and the public as well. They not only cause increased suffering and more serious illness but infected patients stay longer in hospital, affecting waiting lists and diverting resources which could be better spent elsewhere," Professor Glynn said.

The three-year study conducted in 19 hospitals found that overall, 2.7 patients out of every 100 picked up an infection following admission. Those most at risk were patients with an invasive device inserted - such as a catheter to drain the bladder or a central line in a major blood vessel - who were seven times more likely to get an infection.

The study did not include infections of surgical wounds which the researchers estimate would double the rate, suggesting that more than 100,000 patients a year are infected. In five patients picks up a bug while in hospital, including those with infected surgical wounds.

Valerie Ward, senior nurse at the Public Health Laboratory Service and one of the study authors, said hospitals had infec-

tion control policies but half the staff were ignorant of them. "A lot of policies say when staff should wash their hands but the number of times hands are washed is not as high as it should be," she said.

Infection rates varied more than twentyfold among different hospitals in gynaecology patients who had a catheter inserted to drain the bladder, a common practice after a hysterectomy. Ms Ward said poor hygiene was likely to be "a large part" of the explanation.

Patients who had a device such as a catheter inserted were three times as likely to acquire an infection, yet one hospital catheterised 20 per cent of patients and another 75 per cent. Ms Ward said: "That is an immense difference. Hospitals may need to review their clinical practice in relation to the use of these devices."

Professor Peter Borriello, head of the Central Public Health Laboratory, said that guidelines were useless unless they were enforced. "One of the most important preventive measures you can take is washing your hands. But it has to be policed. People only adhere to it if it is monitored."

صكنا من الارضين





Learning process: Tony Blair and his wife Cherie on a visit to Sudbourne primary school in south-west London yesterday. Photograph: David Rose

## Prescott's ministries seek common ground

Christian Wolmar  
and Randeep Ramesh

Civil servants at the Department of Transport are becoming concerned that their ministry will be engulfed by the larger and more powerful Environment Department under the new arrangements created by the Labour Government.

In the first attempt to work out priorities and ways of working together, ministers and senior officials from both departments are meeting all day today at Chevening, the weekend residence now used jointly by John Prescott, the Deputy Prime Minister, and Robin Cook, the foreign secretary.

The meeting will be the first chance for the two departments to define common areas of working which Mr Prescott is very keen to encourage.

However, sources in the two departments suggest there is more support within the Environment Department for strong links, which might lead to an eventual merger. A senior source said: "The problem is getting both to sing from the same hymn sheet. Transport has been bruised egos at the moment as they are worried they may be engulfed by Environment, which is a larger department."

Indeed, while Transport employs 1,800 civil servants centrally, the Department of the Environment has about 50 per cent more staff and a much wider range of responsibilities. Moreover, the Department of Transport has no legislative programme set out in the Queen's

favour of producing a White Paper on the issue. A Transport source said: "One problem was that Environment had the job of putting up bids for the Bills for both departments and obviously ours got a lower priority."

The one remaining hope of transport legislation is the privatisation of the National Air Traffic Services, which became an election issue and remains very much on the agenda, provided that ministers can be assured there is no safety risk.

Civil servants are also worried about the strange ministerial structure created by the Government which leaves both departments unhappy.

While Mr Prescott is the Secretary of State for both departments, in the Department of Transport he has Gavin Strang, who is also a Cabinet minister. However, while Environment has no other Cabinet minister, it has Michael Meacher and four other junior departmental ministers, compared with only Glenda Jackson and Lady Hayman in Transport.

An Environment source said: "We don't really understand why they have done this. We need someone in the Cabinet, while Transport needs more bodies to help Glenda with the workload."



John Prescott: Bridging Environment and Transport

Speech, while there are three environment Bills concerned with council housing sales receipts, a mayor for London and regional development agencies.

The only hope of transport legislation was a short Bill to strengthen regulatory powers and to create a strategic rail authority, but this was rejected in

## UK sets out on the road to devolution

Colin Brown  
Chief Political Correspondent

The "landmark" Bill on Scottish and Welsh devolution was published yesterday, paving the way for the two referendums to be held by autumn.

They will be held before the main Bills, establishing the Scottish parliament and the Welsh assembly, are passed by Parliament. The Scottish Secretary, Donald Dewar, said devolution was "on the road".

Voters in Scotland will be asked two questions: whether they agree to a Scottish parliament and, on a second ballot form, whether they believe it should have tax-varying powers.

Ministers have tried to avoid mistakes made a decade ago, when voters were asked to write "yes" or "no" on the ballot forms. This time, to reduce spoiled papers, they will be asked to put a "Y" in a box.

Tim Dwyer, an opponent of Scottish devolution, said he would vote "no" and "yes".

Ministers will be urging Scots to vote "yes" to both the establishment of a parliament and giving it tax-raising powers.

The Government has ruled out spending taxpayers' money on the campaign for a "yes" vote but the Welsh Office is considering issuing explanatory leaflets to every household and that may be followed in Scotland.

Ministers are expecting plain sailing in the Commons on the Referendum Bill, with the backing of an overwhelming majority, but are bracing themselves for trouble later over the Scottish and Welsh Bills, putting the referendums into effect.

Ron Davies, Secretary of State for Wales, told Labour MPs that they would be in breach of party rules if they openly campaigned against a "yes" vote in the referendum.

The Labour leadership will turn a blind eye to Labour MPs who privately oppose the plans, but MPs who openly campaign against them could face disciplinary action, including the removal of the whip.

"The Labour Party has a very clear position on this matter, endorsed by a ballot of individual members, endorsed by Labour Party conference, included in the manifesto, and endorsed by the public."

"It is a matter of government policy and I expect all Members of Parliament in Wales to recognise our determination to create a Welsh assembly. I do not believe it is appropriate for any Labour Member of Parliament who took any course of action which would include associating with others in opposition to our campaign or to be campaigning on their own behalf against our proposals," said Mr Davies.

Voters in Wales will have a single ballot paper, asking them whether they agree that there should be a Welsh assembly, or not. As it is not proposed to give it tax-raising powers, there will be no second-ballot question.

The six-clause Referendum Bill will be followed by a white paper setting out detailed plans for the Scottish parliament and a Welsh assembly. It provides for up to £25m to be spent on the Scottish parliament in start-up costs and £15m on a Welsh assembly.

Scottish ministers also warned the Tories not to use their in-built majority in the House of Lords to block the Bills, to frustrate the will of the House of Commons.

The SNP leader, Alex Salmond, called for a proper consultative referendum, including the independence option, which the Government rejected. "Labour in government risk showing the same arrogance and contempt for Scottish opinion as the Tories. This is an unfortunate retreat from the principled position adopted by Donald Dewar when he addressed the STUC conference in Dundee just after the 1992 election, when he publicly supported a multi-option referendum," said Mr Salmond.

## Tory-appointed quango chiefs line up to resign

Anthony Bevins  
Political Editor

The sudden resignation of the heads of two official quangos is expected to mark the start of a war of attrition between the Government and the semi-official bodies that became an instrument of Tory ministers.

It was revealed yesterday that Sir Donald McKay had resigned as chairman of Scottish Enterprise after a meeting with the new Scottish Secretary, Donald Dewar.

Lord MacLaurin, the former Tesco chairman, resigned as chairman of the Sports Council earlier this week, and it is now

expected that a number of high-profile quango bosses will now accept the inevitable and volunteer to go.

Tony Blair told the Commons at the start of the Queen's Speech debate on Wednesday: "A Britain that is young of mind and confident of its future must change a situation in which unelected quangos spend more money than elected local government."

Citing the power of quangos and foreign donations to the Conservative Party as examples of political sleaze, the Prime Minister warned: "We will clean up politics and restore faith in our public life."

At the latest count, there were 1,194 quangos, officially defined as non-departmental executive bodies, although the acronym stands for quasi-autonomous non-governmental organisations, with an overall government-funded budget of almost £18bn in 1996.

The Labour manifesto said local decision-making should be less constrained by central government and more accountable to local people - which quangos are not.

It also said: "The Conservatives have created a tier of regional government in England through quangos and government regional offices. Mean-

while, local authorities have come together to create a more co-ordinated regional voice."

Labour plans to create regionally-elected authorities that would take over the co-ordination of transport, planning, economic development, land-use planning and bids for European funding.

Although John Redwood, one of the contenders for the Tory leadership, said on Tuesday that he opposed the creation of English regional development bodies, he also said: "The Government should bring forward a Bill to transfer powers and money from quangos to local government."

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# Union crusade rewarded as Cook lifts GCHQ ban



Victory parade: GCHQ veterans (left to right) Jack Hart, Mike Grindley, Clive Lloyd, and Alan Rowland at the PTC conference. Photograph: Howard Barlow

Barrie Clement  
Labour Editor

After a 13-year crusade by the labour movement and civil rights groups, the Government yesterday told staff at the GCHQ spy centre that they were once more free to join independent unions.

Announcing the end of the union ban, Robin Cook, the Foreign Secretary, also signalled the beginning of talks to ensure that agreement could be reached with unions to prevent disruption at the complex.

While trade unionists will be keen to ensure that the formula is not a simple "no-strike deal" — anathema to most orthodox trade unionists — Mr Cook will be anxious to reach an accord to prevent any interruption of essential operations.

The move was greeted by prolonged cheers yesterday at the annual conference of the PTC civil service union in Blackpool, attended by some of the 14 workers who had been dismissed for refusing to give up their union membership.

As part of the impending negotiations there will also be the

thorny issue of compensation for the "refuseniks", some of whom have been out of work for more than a decade. Those who stayed at the centre, but rejoined the union, are seeking recognition of the fact that they were deprived of pay increases and "fired" £2,000 over two years for their recalcitrance.

In a statement, the Foreign Secretary said the decision to reintroduce trade unionism was part of the Government's commitment to "open and fair" relations at work and that it would "right a long-standing wrong".

All the refuseniks below normal retirement age will now be free to apply for jobs at the Cheltenham-based complex. Each case would be treated "sympathetically", Mr Cook said.

The Foreign Secretary declared: "GCHQ staff make a valuable contribution to protecting the liberties and freedom of our country. Today's move enables them to share fully in one of the important liberties that they defend."

John Monks, TUC general secretary, said the ban had been a blot on Britain's reputation for democracy and human rights. "The previous government's belief that free trade unionism compromised national security was always an unjustified slur against the trade union movement and GCHQ staff in particular."

Clive Lloyd, 56, a former communications officer, said

they had been expecting the announcement, but still felt overwhelmed. "Labour has kept its promise and I can't wait to walk through the gates again after spending so much time fighting to get my job back."

Baroness Thatcher, then Prime Minister, introduced the prohibition in 1984 after civil service pay strikes spread to the centre in the early 1980s. The National Security Agency of the USA expressed concern about the industrial action and Sir Brian Ivey, director of GCHQ, between 1978 and 1983, asked for the ban. Sir John Nott, who was defence secretary in 1984, said however, that the industrial action had "not in any way affected operational capability".

In his statement yesterday, Mr Cook said the present rules which outlawed industrial action would remain in place until a new deal could be completed.

"Talks with unions will begin as soon as possible to settle future arrangements for staff representation and to secure a collective agreement on no disruption to the work of GCHQ which will ensure that GCHQ's operations are protected from any threat of industrial action."

About 45 per cent of staff at GCHQ Communications Staff Federation, which has been refused a certificate as a bona fide union by the official Certification Officer. The federation however is now expected to merge with the PTC union.

DAVID  
Aaronovitch

## Stranger rests in a strange land

The young woman sat on the front bench nearest the door. An outsider would have guessed her to be in her late teens — and might have judged from her neat blue-green trouser suit and recently polished shoes, that she was probably a sixth former from a provincial comprehensive, come to town for her interview at a London college.

Clearly, the experience had not been too bad — only moderately traumatic — and finding herself with a few hours to kill before the early evening train, she had decided to do a little sightseeing.

She had done the Abbey, goggling at the names from Eng Lit. A level oow memorialised in Poet's Corner, marvelled at the stillness of the mounted Horse Guards in Whitehall, mingled with the Japanese tourists in St James' Park.

Tired, and in need of a sit-down before making her way back to Euston station, she looked around for a restroom, and discovered — strategically placed by some benign part of the English Tourist Board — a large chamber in which other exhausted visitors already reclined on slightly uncomfortable green leather benches.

Unfortunately she had finished *Jude the Obscure* on the journey down, and oow had nothing to divert her. So she sat — her pale youthful face framed by bangs of red hair — gazing at the activity around her. Her small blue eyes occasionally blinking beneath her large spectacles.

This woman to her right (with an improbable flying buttress of blonde hair on the top of her head) was addressed by everyone as the "Leader of the House".

The Leader obviously had a high boredom threshold, for — one after the other — most of the men from the benches opposite would get up and ask exactly the same question. This oow endlessly repeated

query concerned something called "Prime Minister's Questions", which had apparently been changed without these men being consulted. As far as she could tell, they had no particular objection to the change itself (in fact they had nothing to say on the subject whatsoever), but they were unhappy that no-one had asked them for their views — if indeed they had any.

On her side a man called Robin Corbett — dressed like her Uncle Roger (a sixties nostalgist, who had a funny idea of what "young people" wore and listened to) in a truly naff salmon shirt, light cream suit and violet orange and gold tie — geotly beckled the boring meo with humorous taunts about how few of them there were and how looely they must be. She felt that this was a bit rude, but that they deserved it.

This went on for ages. She yawned, smiled at a middle aged man who had given her a sympathetic frown, and amused herself by trying to imagine the occupations of some of the folk around her. What, for instance, could possibly be the job of the strange man with the ill-fitting yellow wig, strangely orange skin and childlike expression, who seemed perpetually agitated? Who would employ someone like that? A charity, perhaps? And what could account for the peculiar language used in this room — why was this chap an "honourable gentleman", while that one was "my honourable and learned friend"?

A slightly washed-out man was now speaking in a dry monotone, employing phrases that were wearisomely familiar from recent news broadcasts. It was as though, she thought, he was stuck in the recent past, doomed to repeat these words for ever and ever. And why did everybody call him "Lily"? This place was a puzzle, and no mistake. She looked at her watch. It was time to go home.

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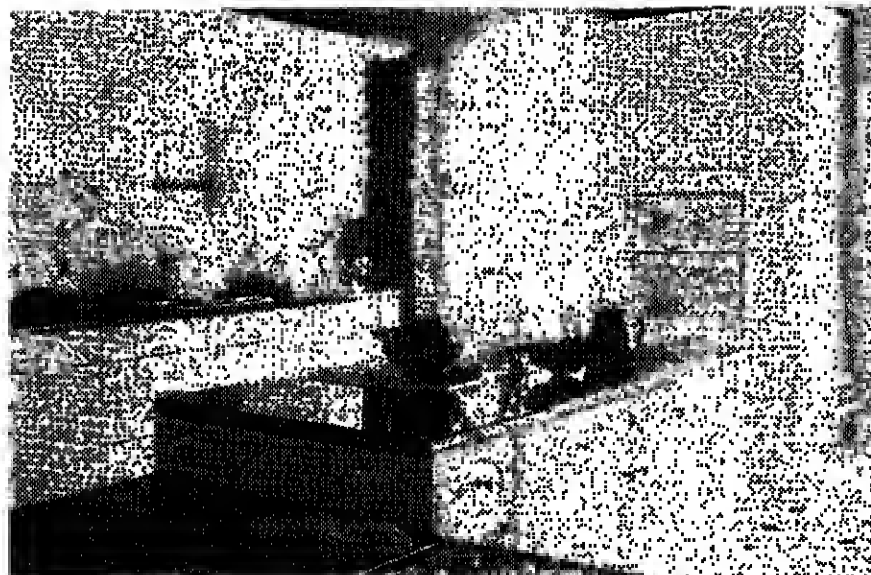
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# Howard upstaged in bid for the helm

Kim Sengupta and Colin Brown

Michael Howard faces being upstaged by Ann Widdecombe in what was to be his showcase to convince Tory MPs that he is the one man tough enough to take on Tony Blair.

The former home secretary, say his supporters, was hoping to use the Queen's Speech and order debate on Monday to score against Jack Straw and gather votes for his leadership bid.

But Ann Widdecombe declared yesterday that she would use the debate to present details which will allegedly prove that Mr Howard misled the House of Commons over the sacking of the director general of the prison service, Derek Lewis. She embarked on this action after the Speaker, Betty Boothroyd, refused her request to make a personal statement and also for an adjournment debate.

Mr Howard's position was further undermined when he came under attack from a second former Home Office minister, Sir Peter Lloyd. "Ann Widdecombe is a decent person," he said, "and I am sure she is following her conscience in what she is doing."

"I do not want to go into matters of character regarding Michael Howard, but I do think he was totally wrong in his actions regarding Derek Lewis. He should have congratulated Mr Lewis in the job he had done, instead of sacking him. What he did was totally unjust."

Mr Howard was expected to open the debate on Monday. But his supporters were saying

last night he may wind-up the debate in order to reply fully to Miss Widdecombe's charges.

The former prisons minister said she was so certain of her facts about Mr Howard's behaviour that she would be prepared to repeat her speech outside the Commons with no protection from a libel writ.

Miss Widdecombe believes that Mr Howard knows the strength of the documentation she has access to, and will be carrying out a "semantic damage limitations exercise".

In an article in the *Spectator* magazine yesterday Mr Howard described Ann Widdecombe as a "good prisons minister with whom I agreed on most terms". But he added "She might like to reflect, when she alleges that I misled MPs, that the civil servants whose duty it is to draw to the attention of ministers any statement in the House which may have been misleading did not do so - for the very good reason that I did not mislead".

Miss Widdecombe, in response, asked Mr Howard whether he had on one occasion contacted a misleading statement he made to MPs. In January 1995, at a Home Affairs Select Committee hearing, Gerry Birmingham asked Mr Howard whether the lack of geophones (an alarm mechanism) at Parkhurst Prison was due to money having to be diverted to house the expanding inmate population.

Mr Howard responded that was not the case. He was advised later by civil servants this was not the case. Miss Widdecombe said: "I want him to say whether he ever corrected the misleading statement he had made to MPs."

## Euro gets nation's knickers in a twist

Katherine Butler  
Brussels

Will Mrs Jones get used to paying for her knickers in euros? Forget convergence criteria or the ERM - that is the question Brussels needs to address, the man from Marks and Spencer believes.

Robert Colvill was too polite to mention knickers at yesterday's European Union round table on the practicalities of introducing the single currency. But, he warned European Commission planners, the project will stand or fall on how well they educate customers like him.

Chancellor Gordon Brown can sit on the sidelines repeating the mantra "wait and see", but Britain's retail bosses, convinced that the single currency is happening, and that Britain will have to join later if not sooner, they are already co-operat-

ing with Brussels on the nuts and bolts of 2002, when euro notes and coins are due to appear in cash registers across Europe.

For how many weeks would it be helpful to use two sets of price-stickers? Will the euro interfere with the Christmas shopping rush or clash with the January sales? And - the nightmare scenario - will a confused and fearful public cease to shop when E-day dawns?

As far as the big stores are concerned, this is where debate should be focused. "We can handle the mechanics of the transition. Much more substantial a problem is how to preserve consumers' trust. Many people will be extremely confused," said Mr Colvill.

At Selfridges they are already considering switches with "euro" printed on them for a specially trained member of staff on each floor.



Loyal band: Pictures of John Major and friends celebrating last September's relaunch of Huntingdon Conservative Club adorn club walls. Photograph: David Rose

## The party is over as Major's club closes

Kathy Marks

As John Major confronted his party's general election defeat, he could at least console himself with the strength of Conservative support in his own Huntingdon constituency. Not any more.

He retained the seat by more than 18,000 votes, the largest Tory majority in the country. But so apathetic are party members in his own backyard that his local watering hole, the Huntingdon Conservative Club, is to close due to lack of support.

The club has been a meeting place for grassroots Tories for the past 27 years. Mr Major celebrated his 1992 election victory there, and he often pops in for a pint during weekends in the constituency. But while he may have remained loyal, membership has dropped from 2,000 at its height to less than 500.

"There is a hard core of 50 to 80 regulars, but it's not enough," said Roger Juggins, chairman and founder of the club, yesterday. "We've tried everything to keep it open. We even had a clay pigeon shoot the other night."

The club is located in a converted Victorian house and shared premises until 1989 with the Huntingdon Conservative Association. It has a signed photograph of Mr Major hanging in the hall. But since the association moved out, the club has lurched from one financial crisis to the next.

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## news

# Millennium chief in row over designs

Christian Wolmar  
Westminster Correspondent

The future of the millennium project, at present under review by the Government, is being jeopardised by a row between the organisers and the main designers.

Imagination, the company brought in to produce designs for the exhibits, rides and shows under the dome on the exhibition site in Greenwich, south-east London, has been "suspended" by Jenny Page, the chief executive of Millennium Central, the exhibition organisers, according to senior Labour sources.

Ms Page is now talking to other designers about taking on the project, though this is seen as very much a last resort.

Millennium Central, which is getting up to £400m of lottery funds to pay for the exhibition and other millennium celebrations, has become increasingly concerned about Imagination's failure to remain within budget.

In a joint statement last night, Millennium Central and Imagination said that Imagination had asked to "stand back" from the project at the end of the three month consultancy in March.

"The exact nature and extent of Imagination's future involvement will be determined by Imagination in response to specific briefs issued by MCL. Imagination has advised MCL that it would be pleased to respond to any further briefs."

Paul MacKay, Imagination's project director, emphasised that its contract had only been short term.

However, *The Independent* has learnt that there have been a series of disagreements between Imagination and Millennium Central over the work. One source close to the negotiations between the two organisations said: "There have been a number of times when views have, to put it mildly, been very firmly stated. It's a huggy muddle."

One fundamental problem for the designers is that Millennium Central has not yet sorted out the extent to which sponsors will have a say in the design. While their demands cannot be ignored - since it is hoped they will contribute £155m towards the £650m cost - the organisers are concerned that the exhibition does not just end up looking like a series of regional events would be held.

There was further confusion

yesterday over the site of the project. Chris Smith, Secretary of State for National Heritage, did not deny the possibility of a switch of venue from Greenwich to Birmingham, as reported in yesterday's *Independent*. But he told BBC Radio 4's *Today* programme that the Government "is reviewing the position over the millennium exhibition. Any sensible government would want to do that."

Asked if the Greenwich site presented insurmountable problems, Mr Smith said: "I don't know the answer to that question yet. I'll only know it once we've had a careful look at the figures in the business plan and the proposals ... in a month's time we will come forward with a conclusion."

However, another senior Labour source insisted that Birmingham was unlikely to be chosen.

He said: "Birmingham's idea was to put the show in a few warehouses added to the National Exhibition Centre. That is not a venue of sufficient stature. I think it is more likely that the whole thing would be scrapped and a series of regional events would be held."

# Royal goats face population cut



Up for the snip: The Kashmir goats of Great Orme are at risk from malnutrition if the herd increases in size

Photograph: Rob Stratton

## Objections to country park's vasectomy plan

Richard Smith

Male Kashmir goats which roam wild on a scenic headland in North Wales could be facing a painful cut in their population.

Mass vasectomy is one option being discussed by local councillors seeking humane ways to reduce the size of the herd, which boasts around 60 goats.

The animals are all descendants of a pair of Kashmir goats the Shah of Persia gave Queen Victoria shortly after her Coronation.

They have been grazing the limestone grassland on the 719-acre Great Orme Country Park near Llandudno for more than a century.

It was the local landowner, Major-General Sir Savage Mostyn, who turned two of the white goats loose on the Orme after being given a pair from the Windsor Royal Herd which has supplied the regiment with its mascot since 1844.

Last year, the Country Park working party called for a humane cull of old and sick goats because of a shortage of grazing to sustain a healthy herd that size. But the scheme was scrapped after 5,000 people signed a petition demanding preservation of the entire herd.

Now a similar battle looms as Conwy Council seeks a solution to the problem in talks with the Royal Society for the Prevention of Cruelty to Animals and the Countryside Council for Wales.

"Technology is as yet not well enough developed to implement birth control methods through treating female goats, therefore other options are to be considered including vasectomy of males and relocation of animals," said a council spokeswoman. "No decision has been reached as yet."

Christine Jones, the organiser of last year's petition against the cull, who lives in a two-bedroom cottage on the headland, said: "The idea of giving these goats the sup is disgusting because there is no need. I think nature takes care of nature and to talk of a population explosion is ridiculous."

"Ten years ago there were 100 goats on the Orme and there is plenty of gorse and scrub for them to eat. They might go into the odd garden for a change of diet but the goats do nobody any harm. They are beautiful animals - the tourists think they are gorgeous and so do the majority of locals."

"On a moonlit night you can only see their horns when they sit up on the cliff - it's just fantastic. We fought so long and hard we thought the battle was over but if they touch the goats without our approval we will take out an injunction against the council."

Complaints have been made by some locals who say the wild goats stray into gardens and cause havoc when grazing is in short supply.

But supporters of the herd point out that the town's Rectory Tea Gardens still manage to win the Llandudno in Bloom contest even though the goats are often seen wandering there.

Sally Piddock, assistant warden of the Great Orme country park said: "Obviously people are sensitive about culling the goats but if you leave them as they are maybe they will suffer in the long run."

"We don't want to get rid of the herd entirely and giving a vasectomy to all the goats would effectively wipe out the herd," she said. "The goats are part of the Great Orme and we don't want to lose them but for the sake of the Great Orme and the goats their numbers should be reduced."

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This is Brazil, where 100,000 children die each year from malnutrition. The cause, too often, is as simple as it is cruel: wealthy landowners deny land to families whose only means of support comes from growing crops to eat.

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Robert Fisk on the grim human cost of the international arms trade

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# Skyscraper city dreads high-rise rents

New York — To scurrying Manhattanites sex and money are important, but their biggest obsession is where they live. Have they found a place to rent? Is the neighbourhood right — below 96th Street anyway? And did they get a deal?

Understand that and you will understand the tizzy gripping the city over negotiations under way in Albany, the state capital, on the fate of rent control laws that date back five decades. Are these high-sacred limits, which apply to about 2 million New Yorkers, about to be killed off?

It seems so, although perhaps not overnight. But, unquestionably, the process spells a revolution, the likely impact of which is being hotly debated. It may bring sanity to a wildly distorted housing market; but it could also drive out from the Apple many who could find themselves unable to stay — including the artists, writers and entertainers that give the city its rich mix.

Introduced during the Second World War to protect tenants from greedy landlords exploiting a housing shortage, the controls have since earned a certain infamy for helping the wealthy far more than they do the city's poor.

There was the case, for instance, of Mia Farrow's sprawling 11-room apartment overlooking Central Park for which she used to pay a piddling \$2,300 a month.

Farrow has since moved on (driven to Connecticut after her break-up with Woody Allen). But there are still myriads of examples of young professionals enjoying rents far below fair market rates — brokers, lawyers and even an occasional British broadcaster. Alistair Cooke, of *Letter from America* fame, pays \$2,078 a month for his rent-controlled park-view pad on Fifth Avenue.

## Cost of living in New York set to soar, reports David Osborne

The control system applies to about a third of New York's rental units.

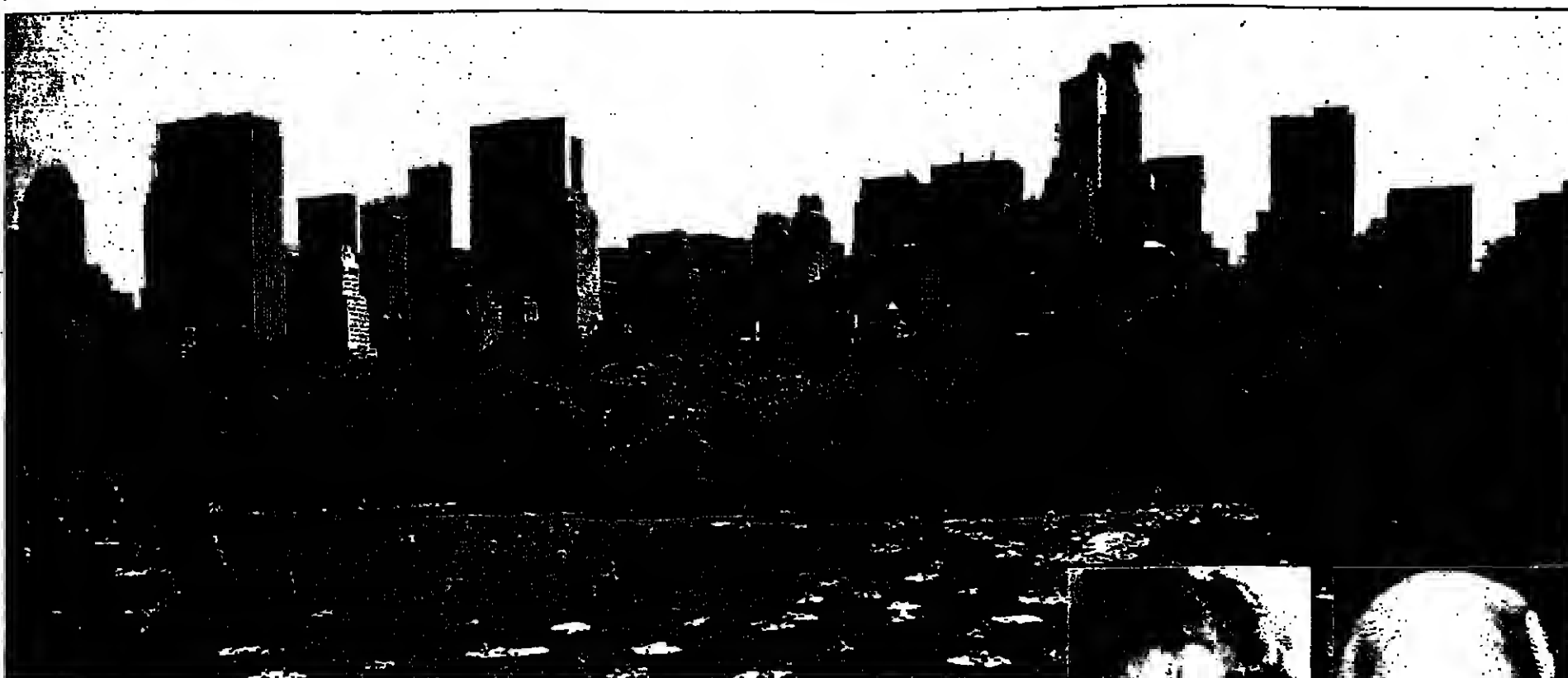
In essence, it allows the state to decide by how much a landlord can raise the rent (usually hardly at all) and guarantees every resident tenure for his or her life and beyond to the lives of their children. If the curbs were lifted, rents in parts of Manhattan would rise by at least a third.

Economists have long scorned the controls as a damaging anachronism — New York is meant, after all, to be the belly of the capitalist beast, not a last bastion of socialist regulation. They argue, for instance, that they have discouraged developers from building new housing in New York which has made a long-term shortage in the city has just got worse.

"Next to bombing," Assar Lindbeck, the Swedish economist once said, "rent control seems in many cases to be the most efficient technique so far known for destroying cities, as the housing situation in New York City demonstrates".

Landlords, naturally, would agree. Finally, with a realignment towards Republicans in Albany, they have found ears sympathetic to them. Joseph Bruno, the Senate leader, says he will block renewal of the laws he will block renewal of the laws when they expire on 15 June. In the lower Assembly, Speaker Sheldon Silver, a Democrat, insists they be renewed *in toto*.

Now New York Governor, George Pataki, is offering a



Rooms with a view: High-rise Manhattan across Central Park, the kind of outlook enjoyed by the likes of Mia Farrow and Alistair Cooke (right) for well below market rate — thanks to rent-control laws. Main photograph: Colorific

compromise.

The effect will be to phase out controls, but more slowly. He suggests ending them now for the wealthiest tenants — anyone earning \$175,000 or more — and liberating apartments from the controls when a tenant dies or moves out.

Whether his middle way will be followed soon enough to avoid a showdown next month, remains to be seen. In the meantime, all parties are edgy and unhappy. Tenants' groups, in particular, have condemned the Pataki proposals as Mr Bruno's in disguise.

The end of rent control would mean increases in apartment rents of up to 35 per cent in large swaths of Manhattan, including Greenwich Village, the Financial District and the Upper East and West Sides.

The prospect prompted Michael McKee, of the New York State Tenants and Neighbors Coalition, to warn: "If you want New York City to be a vibrant, diverse community, with artist and writers and creative people, then rent regulation is very important. Without rent regulation, creative people will be gone".



## significant shorts

### Mobutu goes home after peace talks fail

Mobutu Sese Seko, President of Zaire, returned to his capital yesterday after efforts to stage last-ditch peace talks with the rebel leader Laurent Kabila collapsed.

Despite misgivings in Kinshasa, where residents fear Mr Mobutu's notoriously ill-disciplined army as much as the arrival of the rebel troops, mediation efforts continued. Mr Kabila arrived in Cape Town, South Africa, to meet President Nelson Mandela a day after the rebel leader scuppered talks with Mr Mobutu. Reuters — Kinshasa

### Israeli ex-minister acquitted

An Israeli court acquitted the former justice minister, Yaacov Neeman, prompting speculation he might return to the post in place of his embattled successor. Mr Neeman was cleared of obstructing justice and lying under oath. His indictment last August forced him to leave the job, given to him less than two months earlier. Reuters — Jerusalem

### Turks attack rebel Kurds

Turkish troops, tanks and air-power pounded rebel Kurdish positions inside northern Iraq on the second day of a sweep through the remote mountain region, apparently to prevent cross-border raids by guerrillas. F-4 fighter-bombers from two south-eastern Turkish bases struck camps of the separatist Kurdistan Workers Party (PKK) in Iraq, while Cobra helicopters continued the assault on rebel units. The state-run Anatolian news agency said at least 30 PKK rebels were killed. Reuters — Turkish-Iraqi border

### Danes clash with NY culture

Danish newspapers, calling New York a "banana republic", lashed out at police in the city for arresting a Danish mother because she left her baby sleeping outside a restaurant. Annette Sorensen, 30, of Brooklyn, spent two nights in jail after they were arrested for leaving their 14-month-old daughter, Liv, outside while they ate. AP — Copenhagen

### Bank on goodwill to poor men

About 200 protesters, including a philosopher and a bishop, crammed into the Bank of France to accuse the central bank of causing poverty with its free-market policies. The group marched into the bank's Paris headquarters and threatened to stay until they were granted an interview with governor Jean-Claude Trichet. The bank scheduled a meeting for them with the vice-governor, Denis Ferman, later in the afternoon and the protesters agreed to leave after the talks. Reuters — Paris

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## international

# Truth the victim in American crackdown



**Robert Fisk finds his articles being submitted as 'evidence' to deport an Algerian activist**

Washington — In their efforts to deport Algerian Islamic Salvation Front (FIS) spokesman Anwar Haddam, the United States Justice Department is using carefully selected articles from *The Independent* — in which the irony has been lost on Justice Department officials — as well as dozens of items from the government-censored Al-

gerian press, to prove that the FIS man should be expelled from the country.

The department is also submitting "evidence" from a self-styled women's group closely associated with the military-backed government; almost all witnesses, it transpires, will appear anonymously, while Mr Haddam has been refused per-

mission to read the evidence allegedly collected from wire taps of his own telephone calls.

He had been acting as official FIS spokesman in Washington from 1992 until his arrest by US Immigration and Naturalisation Service agents last December after his parole immigration status expired.

He fears that he will be tor-

tured or executed if he is returned to Algeria and his three children — all born in the US and thus American citizens — have decided to accompany him back to the country, where he is regarded as a "terrorist" leader, if he is deported.

Despite evidence from a senior member of the Community of Saint Egidio, which

organised a peace meeting between the FIS and legal Algerian opposition parties in 1994 — and who testifies that Mr Haddam "continuously insisted on the necessity of a political settlement... advocating political pluralism and respect of human rights" — the US government is pressing on with its case, producing "evidence" which clearly

confuses the FIS with the much more violent and brutal Islamic Armed Group (GIA). The American "evidence" also contains allegations against Mr Haddam made by a women's group which two years ago staged a mock trial of FIS leaders in Algiers which ended when the audience "condemned" the FIS men to death.

Although a submission from the State Department acknowledges that "there is convincing evidence that the security forces carried out dozens of extrajudicial killings and often tortured and otherwise abused detainees", the Justice Department has relied for most of its evidence on Algerians who support the regime.

A list of six unnamed Algerians — all referred to as "Jane Doe" — accuse Mr Haddam of "crimes against humanity", including rape, beheading and hijacking. The testimonies make specific reference to the hijacking of an Air France jet in 1994 — even though the GIA, not the FIS, carried out the assault.

This evidence makes no reference to the FIS's condemnation of the killing of civilians, nor does it make any reference to the FIS victory in parliamentary elections which were subsequently annulled in 1992 by the military-backed government.

Similar references to FIS "control" of local government authorities prior to this date fail to mention that the FIS won a majority of seats on these councils in free elections.

One of the articles from *The Independent* — filed by me from Algiers on 8 March 1995 — has apparently been included because of a final paragraph which referred to photographs of murdered Algerian intellectuals.

"It was enough to make you hate them [Islamists], despite them, deprive them of any human attribute, let alone human rights — which was, of course, the intention, provided you could forget how many people voted for the FIS in the elections which the government annulled."

Mr Haddam's lawyers have concluded that the Justice Department official failed to see the irony in the last line — or understand my remark that for the audience "the word 'terrorist' clearly applied to anyone

remotely connected with the 'Islamist' cause". Another *Independent* article put forward as evidence by the US government is a report that I wrote on 20 February this year, telling of the murder of a trade unionist leader by the Jihad Islamic Front, which is loosely associated with the FIS.

Mr Haddam is not mentioned in my report, although an exultant claim for the killing — the trade unionist was a staunch supporter of the government's repression of the "Islamists" — was published by a FIS support group in London.

At least 100,000 people have died in Algeria's civil war. The FIS claims that the GIA has been infiltrated by government agents, but makes no secret of its own attacks on policemen, soldiers and officials.

Nevertheless, the Justice Department's documentation shows evidence of considerable sloppiness. The title of at least two of the Algerian newspapers quoted have been misspelled and no reference is made to the Algerian government's insistence that newspapers must print news of "terrorism" according to the regime's instructions.

Many of these articles are about GIA massacres which the FIS have condemned, but for which the Algerian newspapers blame the FIS which is now illegal in the country.

A government witness list says a Federal Bureau of Investigation special agent will spend eight hours reading "classified information" to the US immigration judge while an anonymous "terrorist victim from Algeria" will talk for two hours.

Mary Ramadan, Mr Haddam's Washington lawyer, claims that denial of access to classified material will prevent her client from denying or rebutting any charges against him. But the US government, it seems, is set on putting Mr Haddam on an aircraft to Algiers.

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## Doubts remain over refugee

Patricia Wynn Davies  
Legal Affairs Editor

The Algerian government has denied that a young asylum-seeker refused refugee status by Britain was murdered by the authorities after being deported back to Algeria.

According to APS, the official Algerian news agency, the 25-year-old man, whom the *Independent* is not naming, is "alive and well, and not under threat in any way." The National Observatory for Human Rights (ONDH), has also stated that reports that he died in Algerian police custody are "groundless" and "manifestly a crude manoeuvre intended to blacken the reputation of the Algerian authorities."

But the British Refugee Council, which has conducted its own investigation into the case, said that neither statement allayed its concerns.

The man, who had served in the Algerian police, was arrested and released on his arrival back in the country but then re-arrested, according to information received by the council and other sources.

He was believed to have met his death during this second detention.

An ONDH news release confirms that he was arrested on his arrival at Algiers airport on 27 April and "released" the same day and returned to his family home in Algiers.

A spokeswoman for the Refugee Council said nothing in the two statements had caused it to change its view of the case.

"The ONDH has admitted that he was detained on arrival but has added nothing about him being detained the second time, during which we believe he was killed."

The ONDH claims in its release that the man "suspected his former comrades in the London detention centre of having fabricated the whole story in order to cast a pall of Algerian-British relations and our country's reputation at a time when it is preparing for important elections."

But in an indication that the agency has not itself sought to interview the man, it adds that ONDH "has learnt" that the man has made himself available for any subsequent inquiry.

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# Partial reprieve for HK civil liberties

Stephen Vines  
Hong Kong

The incoming Hong Kong government has backed down on some of its more draconian proposals for diluting civil liberties laws after it assumes power on 1 July.

Announcing the partial climbdown yesterday, Michael Suen, the new government's policy co-ordination secretary, said that the changes were "major" and that the public's views had been "taken on board". He stated that "a proper balance between civil liberty and public order" had been struck.

More than 5,000 written submissions were received following publication of a consultative paper setting out the new administration's plans, many of which involve the reintroduction of old colonial laws.

Mr Suen maintained that it was difficult to say whether the submissions were for or against the proposals but finally conceded that opinion was evenly divided. He insisted that the new administration was not necessarily looking at the number of submissions but was "looking behind the rationale of the submissions. All public opinion polls have registered strong opposition to the idea of changing the current laws and most legal profession representatives are also strongly opposed to the changes.

Yesterday Yeung Sum, a leader of the Democratic Party, described the changes as being purely technical and

said: "We are disappointed by the process of consultation and the results." The governor, Chris Patten, said: "The question remains, why was any of this necessary?"

Among the more controversial proposals to have been amended, was a plan to virtually prohibit the calling of demonstrations at short notice.

Now organisers will be required to give seven days' notice but can tell the police of their intention to demonstrate closer to the time. The police will not, as originally planned, have to issue a "Notice of No Objection".

The apparently wide ranging definition of a political organisation, which will have to register and comply with new regulations, has been narrowed to bodies whose primary aim is putting up candidates for public office. In addition, the previous idea of preventing all foreigners from contributing to these organisations has been replaced by a prohibition on contributions from overseas.

However, the government-in-waiting has maintained its controversial insistence on prohibiting the registration of political organisations which threaten national security and banning demonstrations which are likely to produce the same results.

It has declined to spell out what might be considered a threat to national security, aside from saying that it involves challenges to "the safeguarding of the territorial integrity and the independence of China". Instead of detailing what this means, the government

will publish administrative guidelines which will not have the force of law.

Meanwhile, in Peking, a government advisory committee has finalised plans for a new election system, designed to reduce the presence of pro-democracy members in the territory's legislature.

The proposals, from China's Preparatory Committee, would change the voting system in geographical constituencies to introduce multi-seat constituencies where electors would only be able to vote for one candidate.

In past elections, the Democratic Party and its allies swept the polls. China would not like to see this repeated when it finally holds elections for the legislature in about a year's time.

This convoluted plan, which is heavily weighted against popular parties, appears to offer the best hope of pushing more pro-Peking members into office.

Britain attacked the plans, saying they were totally unjustified. "The proposals contained unnecessary restrictions and rightly aroused widespread concern both in Hong Kong and internationally," the Foreign Office said in a statement. "It was right to consult the people of Hong Kong. We are pleased that the new proposals take some account of some of the anxieties expressed."

The statement continued: "But we remain concerned at the elements of the revised proposals which still do not fully meet the concerns of the community and which represent a step backwards from pre-1997 arrangements."



Imperial viewpoint: The sprawling Chinese city of Shenzhen and the river which divides Hong Kong from the People's Republic, reflected in the visor of an RAF Wessex helicopter pilot. Photograph: Reuters

## Former SA death squad member guilty

Alan Secombe  
Reuters

Durban - A South African court yesterday convicted a white former policeman and two black accomplices of the 1981 murder of the anti-apartheid lawyer Griffiths Mxenge.

The court found Dirk Coetzee, former commander of a covert police assassination squad who later joined President Nelson Mandela's African National Congress (ANC), and former policemen Almond Nofomela and David Tshikalanga guilty of stabbing Mxenge to death in a deserted sports stadium.

Mxenge represented many ANC members while the organisation was banned under apartheid laws.

Coetzee was the first white policeman involved in covert operations against the ANC to turn on the apartheid system and publicly reveal details of the state campaign against the organisation.

The three former policemen are among more than 6,000 South Africans who have applied for amnesty under a National Unity and Reconciliation Act designed to heal the wounds of apartheid.

A decision on their applications could be expected in mid-June, Coetzee's lawyer, Julian Knight, said. Sentencing was postponed to 1 July to give the defence teams time to prepare their arguments for mitigation.

Passing judgment, Judge Piet Combrinck told the packed court that confessions made by the three men to a 1990 commission investigating police hit-squads could be used against them. He said the failure of the accused to take the stand to refute their confessions meant that they had told the truth about their involvement in killing Mxenge.

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## international

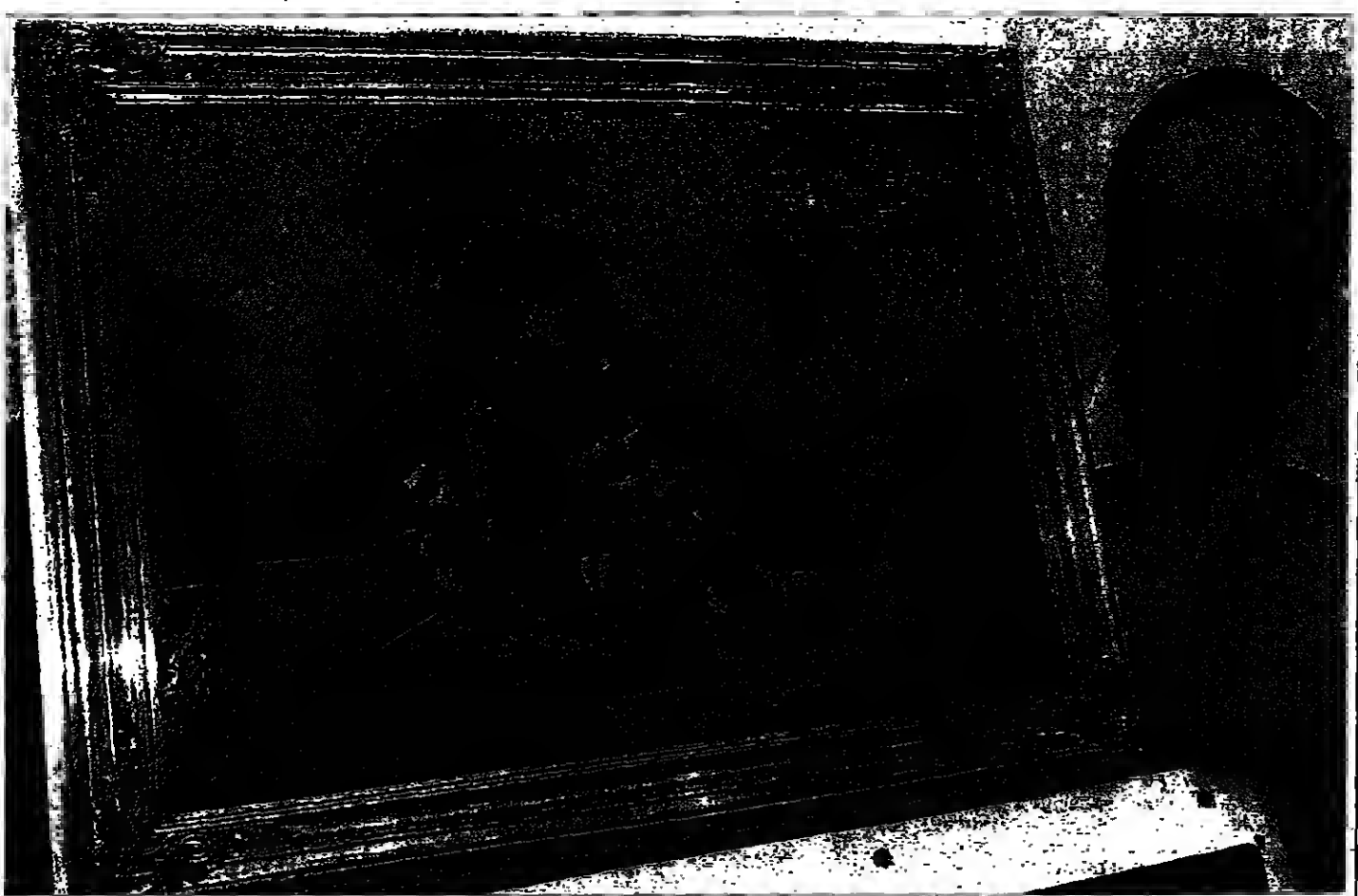
First hint  
of Tsar's  
lost troveImre Karacs  
Bonn

The 50-year quest for the lost treasure of the tsars has yielded its first clue – a gold-framed mosaic identified by Russian and German experts yesterday as the only known remnant of the Amber Room.

The picture, depicting two couples lounging in a lush garden, had hung on a bedroom wall in Bremen since the war, its current owner oblivious to its significance. The Amber Room, originally the gift of King Friedrich Wilhelm I of Prussia to Peter the Great, was plundered from the tsar's summer palace outside Leningrad by German troops in 1941. Under Hitler's orders, it was taken to the East Prussian city of Königsberg.

Soviet troops took Königsberg in April 1945, but by then the entire collection had vanished without a trace. For the past 50 years, every myth and legend has been followed up, but until now not a morsel of its gold and amber panels had been located.

The mosaic's owner says he inherited it from his father, who died in 1978. The father had been a Wehrmacht officer on the eastern front, and served in Königsberg shortly before it was captured and re-christened Kaliningrad by the Soviets. He is believed to have taken the booty home to Bremen.



Imperial treasure: Police officer Lutz Zimmerman shows the first of three mosaics from the Amber Room

Photograph: AFP

Indonesia  
arms deal  
is test case  
for policyChristopher Bellamy  
Defence Correspondent

The Government's new ethical foreign policy, including strict controls on arms sales to repressive regimes, will shortly face its first critical test case – Indonesia. A new report published today calls for a major change in British policy on arms exports to that country. Licence applications for the export of more Hawk jets and armoured personnel carriers to Indonesia are due in the next few weeks.

The report, published by the Saferworld foundation, proposes two new guidelines. Licences should not be granted for any equipment that might be used for internal repression and there should be a "presumption to deny" exports to countries of "concern" such as Indonesia, unless a legitimate defence requirement can clearly be demonstrated. Instead of the Department of Trade and Industry having to prove that a country had used equipment against its own people in order to get a licence stopped, the onus would be on the country concerned to prove it really needed the arms for defence against an external aggressor.

In Indonesia's case, the report says all licences for the export of armoured personnel carriers, riot-control equipment and small arms – items which can be used in an "internal security" role – should be refused. And it recommends that the British government holds a fresh inquiry into reports that British Aerospace Hawk aircraft have been used against rebels in East Timor. British Aerospace sources have told *The Independent* that they have not been used in this way, and do not have the range to reach East Timor from their current bases in Sumatra and Java.

In that case, said Andy McLean, a Saferworld spokesman, neither the British nor Indonesian governments need have anything to fear from an open inquiry.

The Indonesian Air Force has so far taken delivery of 40 BAe Hawks – jet trainers which can also be used as attack aircraft. In 1996 a further 16 Hawk 200 aircraft were ordered, but no licence appears to have been issued so far.

The Labour Party is keen to encourage the British aircraft industry, and Lord Hollick, a Labour peer and BAe board member, is influential in the party. But even if the export licence for Hawks is approved, the second element of the test case – Alvis armoured vehicles – is less likely to be approved. Indonesia has already taken delivery of 30 Scorpion-90 light tanks and 20 Stormer armoured personnel carriers, and a licence for a further 50 armoured vehicles was granted in December last year. The third stage of the order – for 22 or 23 vehicles – is expected shortly.

Given Indonesia's geographical position, vehicles of this type are most useful for small-scale fighting against insurgents. British armoured vehicles supplied in the Sixties were used against protesters in April 1996. The British government has received assurances that British-supplied defence equipment will not be used for internal repression in East Timor or Indonesia, and, in the case of the Scorpion 90s, has been given an additional assurance that they would not be used in East Timor. But there were reports that they were deployed for security in Jakarta during last year's general election.

*British Arms Export Policy and Indonesia*, Malcolm Chalmers, Saferworld, London; £8.00.

Gold loses its  
shine among  
young TajiksJJ Fergusson  
Dushanbe

There are many mysteries in Tajikistan, though perhaps none greater than the national obsession with gold teeth. In Dushanbe, the capital of this desperately impoverished nation, they still glint at you from almost every mouth. In some instances, every single tooth has been replaced.

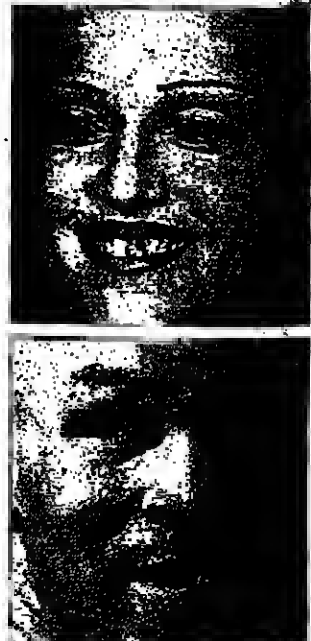
Gold instead of ivory has been the quintessential status symbol in this region for centuries: mined in the Pamir mountains, it has always been in plentiful supply; and what better place to keep your valuables than literally under your eyes?

But despite what you see there is evidence that this ancient tradition is dying. Dental treatment in these post-Soviet times is no longer free: a gold tooth costs about \$30 (£18), and a further \$15 to install. Last year the average monthly salary here was just \$8.60, easily the lowest in the former Soviet Union, making gold a luxury that few Tajiks can now afford.

Professor Omar Hairatov, general director of the Tajik Scientific Industrial Association, Stomatology – the country's chief dentist, in other words – said cost is only one reason for the change. "Their value as a status symbol has declined, especially among the young," he said.

He blamed access to Western culture, particularly videos, which have naturally become more widely available since independence in 1991. His words were borne out at a rock concert at the Moskovsky Hall in the city centre. As Sergei, one of the performers and a Robert Plant lookalike, put it: "Why would anyone want to look like Jaws from the *James Bond* movie?" His girlfriend merely shrugged.

It is not just the young who dislike gold teeth. Matluba Mamadjanova, a middle-aged educational adviser, swapped all four of her front white metal ceramic ones after attending an American language teachers' conference in Athens – the sort of thing no one ever did in Soviet times.



Golden jaws: Madonna (top) and Mike Tyson

"It was so embarrassing," she said. "There were hundreds of people there and I was the only one with gold teeth. They kept looking at me."

Zafar Nazarov, a dentist, confirms the trend. In recent weeks he has taken gold from more than 20 mouths – all of them travelling professionals. "I used to get customers who asked me to replace perfectly healthy teeth with gold ones," he said over tea in his sparsely furnished surgery. "Nowadays that sort of thing mostly only goes on in Uzbekistan. They're a flashy lot over there."

He said he preferred the "noble metal" to ceramic because "it's soft and malleable" and the tooth can be modified with less sawing at the root. Later, he offered to install an example of his work: "It's free for guests to our country."

I declined politely and he laughed, throwing his head back to reveal a lower jaw studded with sharp points of gold.

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سكزا من الامرين



# Boys lose out to toys in US defence review

by Dejovsky  
Washington

Congress yesterday heard first drafts of a defence review that will reduce spending, cut troop numbers and close a number of bases in the US but not abroad. The Quadrennial Defence Review (QDR) is an exercise set up at President Bill Clinton's instigation to recommend strategic and spending priorities for the next 20 years.

Although it will not be published until Monday, the timing of its release to Congress, the day after NATO reached agreement with Russia on terms for expansion of the alliance eastwards, exposed a paradox. While the NATO deal presages changes to the alliance, the big negotiations caused bare a ripple of open dissent in the US. The QDR, by contrast, though judged to be relatively unadventurous, has already unleashed a torrent of criticism. From the right comes the charge that military spending and manpower, both now 30 per cent lower than at their peak in the Reagan years, have been cut far that any further decrease, spending, manpower or hardware will jeopardise security. In it, the new proposed cuts are seen as modest compared to those of recent years - 60,000 jobs, for instance, compared to cuts of 600,000 since 1989. From the left comes the charge that the "peace dividend" - sums supposedly saved after the Cold War - have been mislaid or squandered. From the middle comes the charge that individual congressmen come objections that anticipate closure of local factories and bases.

The most sweeping criticism comes from political groupings and military insiders, who attack the QDR for its unadventurousness, asking why it did not take the opportunity to reconsider the whole thrust of US defence policy. "It's just business as usual, with some nibbling around the edges," said retired vice-admiral Jack Shanahan, of the Centre for Defence Information.

Overall, critics of the QDR do not object to manpower reductions, procurement cuts or base closures in principle. They even praise the attempt to narrow the gap between available funds and strategy goals. What they object to is the balance and above all the "vision" of the proposals as rooted in the past.

One complaint is that more manpower than hardware is destined to be cut and more active-duty troops than infrastructure staff. The argument was between "boys and toys", said Franklin Spinney, of the Pentagon, and "toys" won. Not just any "toys", he points out, but costly aircraft and submarines that may not be appropriate for the new tasks that confront the military.

These new tasks are not, defenders of the QDR say, completely neglected by the review. But, retort the critics, they are not reflected in the proposals. As set out by a number of Washington think-tanks and a small faction in the Pentagon, the tasks are identified as international and domestic terrorism, regional or ethnic wars, localised chemical or biological attacks, information "wars", access to space, and - more prosaically - peace-keeping and

humanitarian operations. Most critics of the QDR concur that for at least the next two decades the US faces no major global threat, yet the review persists in the view that the US must retain the capacity to fight two major wars, simultaneously on different fronts, or in quick succession.

The critics differ about whether what is needed is less sophisticated equipment for use on a smaller scale, closer to zones of conflict, or concentration on hi-tech warfare. The common watchwords, though, are smaller, lighter, more flexible, and many fewer troops abroad: "not global presence, but global reach", as one expert put it.



Sky light: The space shuttle Atlantis streaking from Kennedy Space Center to begin the sixth US docking mission with the Russian Mir station. Among the astronauts on the 10-day voyage was a British veteran of three space flights, Michael Foale. Photograph: AFP

## Voices warn of dangers in Nato growth

Christopher Bellamy  
Defence Correspondent

A number of influential Americans are expressing opposition to the drive towards early Nato enlargement.

If their increasingly vocal and influential campaign comes too late to prevent Nato issuing invitations to join at the Madrid summit in July, it could still prevent one or more of the sixteen Nato member states ratifying the accession of new members in April 1999. That would be enough to prevent enlargement taking place as planned.

The opponents of enlargement include academics, journalists and former defence and security chiefs, many of whom were involved in the Cold War. The arms reduction negotiations in the late Eighties, and in the talks on the unification of Germany. The growing band of opponents, who do not

the Czech Republic in the first wave. Opponents say that policy was driven by US politics, to appeal to voters of central European ancestry in the key mid-western constituencies.

Britain has, as usual, followed the American line. The "mission statement" given on Monday by the Foreign Secretary, Robin Cook, committed Britain to "an enlarged Nato".

Boris Longstrech, a Law Professor at Columbia University and President of the Winston Foundation for World Peace, visiting London this week, said there were powerful arguments against hurried enlargement which could sway western parliaments. He stressed the cost to present Nato states and to the applicants; money which would be better spent improving their economies, and the risk of offending and isolating Russia, which could have catastrophic long-term consequences, with nothing to show for it.

The most obvious argument for delaying enlargement was the cost: an estimated \$40bn (£25bn) for European Nato members and \$100bn for the US, plus the cost to new members to upgrade forces to Nato standards in certain areas or to make them compatible with Nato.

"It's preposterous for them to be spending money on the military", Professor Longstrech said. "It's throwing them an expensive bone, rather than admitting that many people doubted whether expanding to the east was the highest priority, as the security threats Nato was best suited to dealing with lay to the south."

The biggest danger, however, was isolating Russia in what threatened to become a re-run of Germany's isolation after the Versailles Treaty of 1919 imposed humiliating and crippling war reparations. Isolating Russia could give rise to nationalism and, possibly, the appearance of a dangerous dictator.

The planned Nato-Russia "Charter", or "Act" as it will probably be known, is designed to prevent this, by involving Russia in Nato business. However, the US policy has resolutely opposed giving Russia any "veto" over Nato decisions.

As the Madrid summit approaches, a significant body of opinion is being mobilised in the US and Europe at least to delay enlargement. "We don't have to defeat it", said the professor. "We just have to say 'hey, let's wait'."

## 6 Hurried enlargement could have catastrophic long-term consequences

necessarily oppose enlargement, but believe it is being rushed, includes Robert McNamara, secretary of defense from 1961-68; and Paul Nitze, former deputy defense secretary and US delegate to the Strategic Arms Limitation Talks (Salt) from 1969 to 1974. George Kennan, a former diplomat, academic and elder statesman, has said that Nato enlargement would be the gravest error in foreign policy towards Russia since the Second World War.

Although no written undertaking was given that German unification within Nato would not be accompanied by a further eastward expansion of the alliance, a number of those involved maintain that the Soviet Union - to which Russia is heir - was given that impression. US government policy, stated by President Bill Clinton and Secretary of State Madeleine Albright, is for an early enlargement which will probably include Poland, Hungary and



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## obituaries / gazette

## William Cole

There can be few, if any, persons past or present who could list LVO, DMus, FSA, FRAM, FRMC, DFCO, after their name, and it may be that in this, at least, William Cole was unique. One of the most distinguished musicians of his generation, he had an extremely successful and full life. The staggering breadth of his involvement in so many spheres leaves one wondering how he managed to fit it all into one lifetime.

He studied at the Royal Academy of Music, where he met the organist Walter Emery, the beginning of a long and musically fruitful friendship—they even shared the FRCO prizes in January 1930. They went on to give many joint lecture recitals, especially featuring the organ works of Bach, and they built up a large following over the years. Many recognised and appreciated Cole's gift as an organist, maintaining it well into his fifth decade. His unaffected approach was built upon the surest of techniques and unflinching musicianship. He could make the simplest Choral prelude speak the profoundest of truths. In 1930 he became Organist and Choirmaster at Dorking Parish Church, where he stayed for 24 years, and in the following year he was appointed Music Master of Dorking County School. He served in the Air Ministry during the Second World War, helping to organise the vast increase in aircraft production necessitated by the conflict, and in this post his obvious gifts as an administrator must have been invaluable.

Following the war he was appointed Professor of Harmony and Composition, and Lecturer in History of Music, at the Royal Academy of Music. Alongside this work he also held

posts at Toynbee Hall (Honorary Musical Director 1947-58) and the Royal Academy of Music, as Lecturer 1948-62, Chairman of the Music Committee, 1961-68. Member of the Executive Council, 1965-68, and Member of the Grand Council 1976-88.

In 1954 he was appointed by Ralph Vaughan Williams as his Assistant Conductor of the Leith Musical Festival, initially with the idea that Cole would conduct the works Vaughan Williams did not like. Soon Cole took over the reins, and in his time conducted many notable performances, including the first performance of George Dyson's *The Canterbury Pilgrims*.

In 1962 he left the Royal Academy of Music to become Secretary to the Associated Board of the Royal Schools of Music, having been an examiner since 1943. In the late 1960s he introduced the guitar syllabus and expanded the wind syllabus. He also found time to write a series of theory exercises, and those inimitable small white books were used by countless music students for many years. He once said that they were written as a temporary idea, and he never expected to see them so comprehensively adopted, perhaps even dreaded by some. After he left the Board he continued to mark, moderate and set theory papers, his sharp mind ever quick to spot any discrepancies.

In 1954 he was appointed Master of the Music at the Queen's Chapel of the Savoy. There he trained and nurtured a superb choir of men and boys. His tireless energy and selfless commitment were recognised by his appointment as LVO in 1966. A fierce advocate of the Prayer Book of 1662, his strong faith shone

through in all he did. He will be remembered by the many choristers (all drawn from the school which he attended as a boy—St Olave's, now in Orpington) who sang for him as a man of great musical knowledge and above all, humanity. Whilst insisting on the highest standards of discipline and musicianship, he cared for and respected his choristers, rarely needing to admonish or chide. It was always moving to see the many former choristers who returned to fill the Chapel once a year for a special service, and a tribute to the esteem and affection in which he was held.

He communicated a great respect for the Church and its music, and, above all, a respect for the words they were singing. He knew many of the psalms by heart and personally found them of great comfort in times of sorrow. His musical knowledge was immense, and he delighted the choir with his first-hand stories of composers such as Vaughan Williams, Dyson and Holst, many of whom he knew well. The Christmas Carol services he devised and directed were much revered—especially that established over 20 years ago for the Garrick Club, of which he was a member.

Cole composed many pieces for the Savoy Chapel, including a fine setting of the *Te Deum* written for the Royal Victorian Order, sets of responses (including a beautiful setting of the Lord's Prayer) and an arrangement of "In the Bleak Midwinter", which is certainly one of his very finest works. After his retirement from the Chapel in 1993 he was made Master of the Music Emeritus, and he continued to compose for the Chapel, including the Savoy Service and, very recently, a



The highest standards of musicianship: Cole (far right) at a Royal College of Organists dinner, 1973, with (from left), Donald Coggan, Archbishop of York, Dr Francis Jackson, President, and Alan Richardson, Dean of York.

Christmas prelude for organ, dedicated to me, his successor at the Savoy Chapel, based on "While Shepherds Watched". In 1960 he became a Council member of the Royal College of Organists, acting as Honorary Treasurer 1964-85, President 1970-72 and thereafter Vice-President. He brought great discretion to his work there, and it was largely due to his efforts that the College was granted a Supplemental Charter and Charitable Status, against the advice of "experts" who denied this would be possible. Many other distinguished institutions were similarly indebted, including the Royal Harmonic Society (Honorary Secretary 1963-80), Royal Choral Society (1972-92), Musicians' Benevolent Fund (1972-97), Surrey

County Music Association (1958-76), the Education Committee of Surrey County Council (1951-62), whom he actively persuaded to appoint a Music Advisor, and the London Association of Organists (1963-66). William Cole had a love of stained glass, and was an authority in particular on roundels. Having produced a catalogue of Netherlands and North European roundels in Great Britain (1993), he had another book on roundels in preparation.

Philip Berg

William Charles Cole, organist, choirmaster, musical administrator, composer, conductor, writer, born 8 October 1909; Organist, Dorking Parish Church 1930-54; Profes-

sor of Harmony and Composition, and Lecturer in History of Music, Royal Academy of Music 1945-62; Honorary Musical Director, Toynbee Hall 1947-58; Lecturer, Royal Academy of Music 1948-62, Chairman, Music Committee 1961-68, Member, Grand Council 1976-88; Master of the Music, Queen's Chapel of the Savoy 1954-94 (Emeritus); Member of Council, Royal College of Organists 1960-97; Honorary Treasurer 1964-85; President 1970-72; Secretary, Associated Board of the Royal Schools of Music 1962-74; Member, Central Music Library Council 1964-95; Chairman 1973-93; LVO 1966; married first Elizabeth Caw (three daughters; died 1942), second Winifred Mitchell (one son; died 1991); died Guildford, Surrey 9 May 1997.

## Professor J. R. Harris

J. R. Harris devoted most of his academic life to the study and teaching of industrial history, bringing to it unbounded enthusiasm and a respect for clarity and rigour.

A history graduate of Manchester University, John Harris had long shared with his school friend Theo Barker an interest in the industrial development of his home town St Helen's, in south-west Lancashire. First degree studies were interrupted by active war service with the Royal Corps of Signals and the Indian army after which Harris returned to Manchester to complete his degree in 1948.

Shortly afterwards he collaborated with Barker to complete their study *A Merseyside Town in the Industrial Revolution: St Helen's 1750-1900*. Published in 1954, it was reprinted twice, later in 1993. The book drew upon Harris's doctoral work on the copper industry, an interest which found later expression in *The Copper King* (1964), a study of the entrepreneur Thomas Williams of Llanidloes.

Many of the themes which were subsequently to inform his broader studies or technological and industrial history were developed at Liverpool University from 1953. It was there that he displayed his capacity for hard work, combining painstaking research with a raft of administrative duties and an unflinching concern for the welfare of his students. He was instrumental in launching the *Journal of Business History* which is currently ranked a leader in its field.

In 1970 Harris moved from a Readership in Liverpool to Birmingham as successor to W.H.B. Court in the Chair of Economic and Social History. His inaugural lecture on industrial technology in France and England reflected a developing interest in the transfer of labour, skills and ideas between the two countries during the formative period of industrialisation. Subsequent articles on these and accompanying themes were collected in *Essays in Industry and Technology in the 18th Century: England and France* (1992).

The complex economic and political factors underlying the industrial progress of the two countries was the theme of his latest book, *Industrial Espionage and the Transfer of Technology: Britain and France in the 18th century* (1997), due to come out in a few months' time, a product of almost 30 years study which he read in final draft before suffering a heart attack.

It was typical of Harris's devotion to academic life that he spent so much of his time encouraging the development of economic and social history in the widest sense. He was an active member of the Economic History Society, serving for many years as a Council Member and Chairman of its Publications Committee. In addition

to undertaking a considerable range of managerial responsibilities in Birmingham (including a period as Dean of the Faculty of Commerce and Social Science) he worked ceaselessly from 1990 to establish and sustain on behalf of Birmingham University the Birmingham Institute in Shropshire as a pioneering centre in postgraduate studies in industrial archaeology and heritage management.

From 1981 to 1984 he was chairman of the International Committee for the Conservation of the Industrial Heritage, a reflection of his standing in the field and his active participation in scholarly activity in France and North America in particular. His intensive work in French industrial archives was recognised in 1990 when he was appointed Chevalier de l'Ordre des Arts et des Lettres.

John Harris was a kind man who detested pomposity and display. He openly displayed the characteristics of his Lancashire upbringing: diligence, integrity, but above all respect for those around him. With a raised eyebrow and a sly smile, he could distance himself from the worst manifestations of academic sensitivity, but when called upon to be tough and uncompromising in defence matters of principle, not least when they affected students and staff, he was formidable and utterly dependable.



Harris: industrial heritage

A devoted family man, he was especially proud of the achievements of his two sons. He was rarely seen at conferences at home or abroad save in the presence of his wife Thelma, whose untimely death from brain tumour in February 1991 proved a devastating blow. Alumnus Professor Harris continued to be active in Birmingham and overseas, dispensing with cheerfulness, common sense and devotion to scholarship that was so much part of the man.

W. R. Garside

John Raymond Harris, economic historian, born St Helen's, Lancashire 14 May 1923; Professor of Economic History, Birmingham University 1970-90 (Emeritus); married 1953 Thelma Knockton (died 1994; two sons; died Birmingham 5 March 1997).

## Walter Ison

A few years ago Walter Ison attended a post-restoration party at a Georgian house in Fournier Street, Spitalfields, London. He had last visited in 1952, when the house was a crumbling banana warehouse and he was researching the buildings of Georgian Spitalfields for the *Survey of London*. Crossing the threshold he remarked: "When I came to record this building, I thought I was writing its obituary." A few yards away stands the magnificent spire of Christ Church, Spitalfields. It was Ison who made the first serious study of Hawksmoor's design and this masterpiece is now being restored with Lottery funds.

Ison's favourite cities and buildings have survived better than he dared hope, not least due to his achievements as an architectural historian. Bath is still—as Ison declared in his introduction to *The Georgian Buildings of Bath* of 1948—"beyond any question, the loveliest of English cities", and his classic book has been a cornerstone of its preservation. Ison was born to a middle-class family in Leamington. He worked as a junior assistant in the office of Frank Verity, the theatre architect, and studied architecture in the evenings. These early years in the drawing board were fundamental to his merit as a historian; he was unusually attentive to the visual subtleties of a building and his written descriptions were delineated with the precision of a draughtsman. The occasional

verbal flourish was all the more delightful for its rarity.

Ison lived and breathed the language of classical architecture. In the last letter I received from him he pondered: "I wonder if Lutyens is the only English architect who has really made use of Sanmichele." His heroes were the architects who played the Great Game of the classical tradition but also the 18th-century master-builders: the unknown men, such as Marmaduke Smith of Spitalfields or Thomas Jelly of Bath, who shaped our terraces and squares. Ison showed how they adapted the vocabulary of ancient temples to ceilings and stair balustrades, window frames and doorknobs.

Ison continued to practise occasionally as an architect, and his principal patrons were Sir George and Sonia Binney, who valued his ability to capture a period style. At Horham Hill, near Thaxted, Essex, he designed a drawing room re-using some early-18th century panelling salvaged from London and a walled garden and swimming pool pavilions. He also designed the interiors of the townhouse in Eaton Row, Eaton Square, in the refined manner of Thomas Leverton's 1770s houses. Most notably, at Domaine des Vaux, St Laurence, Jersey he designed a formal garden in which a stepped amphitheatre faced a fountain garden. Ison also encouraged their son Marcus Binney, today President of Save Britain's Heritage, to study Sir Robert Taylor for his PhD. In 1931 he married Leonora



Ison lived and breathed the language of classical architecture

Payne, the artist and architect, whom he had met when they both worked in Verity's office. During the Second World War Ison worked in the highly secret model-making section of the RAF at Medmenham, Buckinghamshire, where his friend the distinguished calligrapher and artist Reynolds Stone stirred Ison's interest in Bath. Leonora also fell in love with the city and when, just after the war, she received a small legacy,

they moved to Bath and bought a Regency house, No 5 Lion Hill Place. The legacy also enabled Ison to research *The Georgian Buildings of Bath*, which he published in 1948 and is still in print. His reputation in Bath is still indelible: well-thumbed copies of Walter Ison are as ubiquitous as Dr Spock in the city's middle-class households. His next book was *The Georgian Buildings of Bristol* of 1952 and later he wrote *English Ar-*

chitecture Through the Ages (1965) and *English Church Architecture* (1972) which became standard texts for the Oxford and Cambridge Schools Examination Board. All his books were beautifully illustrated by Leonora.

In the 1950s the Isons moved to London and restored an early-18th century house in Colebrook Row, Islington. Ison had come to work on the Spitalfields volume (1957) of the *Survey of London* and stayed there until his retirement in 1970. He became Architectural Editor and wrote descriptions of the buildings for the volumes on Soho (1966), Westminster (the four volumes on the Parish of St James's, Piccadilly; 1960) and Covent Garden (1970). During his time there the publications added 16 inches of shelf-width to the four feet amassed by this colossal research project—still in motion since it was begun by London County Council in 1900.

On retirement, the Isons sold the house in Islington to Cyril Rae and moved to Rainham Hall, Essex. This is an outstanding early-18th century brick mansion, and stepping out each morning from underneath its fine Corinthian porch put a spring in Ison's step. The last years were spent in a flat in St Leonards, East Sussex, where he became President of the local conservation society, and his last article was published in the *Journal of Decorative Arts* in 1982, describing the Regent Cinema, Brighton, built in 1921 and demolished in the 1960s its

gaudy style was still unfashionable when Ison wrote, and his appreciation of the quality of its decoration is all the more remarkable because he wrote from his recollections of visiting as a teenager.

Ison had a very acute aesthetic sense. His interests also included a fine collection of Chinese porcelain and of rare musical recordings; next to architecture, music was his motivating passion. The flat in St Leonards was decorated in what might be described as a pre-Colefax & Fowler Regency style. Ison, a large man, could seem formidable at first but he had a gentle and mischievous wit which remained sharp to the very end. When he and another architectural historian, Dr Mowl, disagreed on a point of Palladio's architecture he asked: "Who is this man Mole [which is how Mowl is pronounced]? He's so prickly he should be called 'Hedgehog'."

His outstanding characteristic was his devotion to Leonora and his fear that he would die first and thus abandon her. A few days after their 65th wedding anniversary, Ison talked of making a final pilgrimage to Italy but he died after a short illness.

Christopher Woodward

Walter William Ison, architectural historian, born Leamington, Warwickshire 20 September 1908; married 1931 Leonora Payne (died 1996); died St Leonards, East Sussex 2 May 1997.

## Brigadier Michael Harbottle

May 1 make one important correction to Linda Melvern's intelligent obituary on Michael Harbottle (14 May), writes Eirwen Harbottle:

The historic statement signed by 62 retired generals, admirals and air marshals from 16 countries, calling for the elimination of nuclear weapons, was the initiative of the retired United States Senator Alan Cranston, Chair of the State of the World

Forum and of the Gorbachev Foundation (US). He invited my husband to be a member of his drafting team, together with General Le Butler (US) and General Belous (Russia). It was launched in the US on 5 December 1996 and in London the following day under the chairmanship of Lord Carver. The Centre for International Peacebuilding played a facilitating role rather than an initiating one.

## Births, Marriages &amp; Deaths

## DEATHS

**BUTTERWORTH:** Dr Harry, on 15 May, at his home in Ealing, beloved husband of Jean. A funeral service will be held at St Peter's Church, Vera Avenue, Grange Park, on Thursday 22 May at 11 am, followed by cremation. No flowers please. Donations in his memory to the Parkinson's Disease Society.

For Gazette, telephone 0171-293 2012.

## Synagogue services

Details of synagogue services to be held tomorrow may be obtained by telephoning the following. Sabbath begins in London at 8.30 pm. United Synagogue: 0181-345 8989. Federation of Synagogues: 0181-282 2263. Union of Liberal and Progressive Synagogues: 0171-280 1663. Reform Synagogues of Great Britain: 0181-249 4731. Spanish and Portuguese Jew Congregation: 0171-289 2573. New London Synagogue (Masorti): 0171-328 1026.

## ROYAL ENGAGEMENTS

Prince Edward received the members of the Los Angeles Olympic Organising Committee at Buckingham Palace, at the start of their English cricket tour. Prince Edward, the Prince of Wales, accompanied by the Duchess of York, will be in the United States for a tour of the West Coast. The tour will include visits to Los Angeles, San Francisco, and San Diego. The tour will be the first by a member of the British Royal Family since the death of Queen Elizabeth the Queen Mother.

Changing of the Guard

## Birthdays

Canon Reginald Askew, former Dean of King's College, London, 69; Mr Stuart Bell MP, 59; Dr Peter Brand MP, 50; Mr Pierce Brennan, actor, 40; Sir Colin Cole, former Garter Principal of Arms, 75; Mr Don Cockscomb, former government minister, 77; Mr Mark Elliott, ambassador to Norway, 58; Sir Nicholas Goodison, deputy chairman, Lloyds TSB Group, 63; Mr Jimmy Hood MP, 48; Mr Roy Hudd, comedian, 61; Sir Dawda Kairaba Jawara, former president of the Gambia, 75; Mr Gavin Jones, conductor and organist, 80; Maj-Gen Sir Desmond Langley, former Governor of Bermuda, 67; Professor Peter Levi, poet and archaeologist, 66; Mr David Macdonald MP, 44; Mr John McWilliam MP, 56; Professor Kenneth Morgan, former Principal, University College of Wales, Aberystwyth, 63; Professor Gareth Roberts, Vice-Chancellor, Sheffield University, 57; Miss Gabriela Sabatini, tennis player, 37; The Right Rev Kenneth Sinton, former Bishop of Lichfield, 79; Mr Studds Louis Tenzel, writer, 85; Mr John Walker, solicitor, 70; Le-Gen Sir Anthony Walker, former Commandant, Royal College of Defence Studies, 63; Sir Charles Wilson, former Principal, Glasgow University, 88; Sir Russell Wood, former deputy Treasurer to the Queen, 75.

## Anniversaries

Births: Herbert Ernest Bates, novelist, 1905; Henry Fonda, actor, 1905; Liberace (Wladislaw Valentini), pianist and entertainer, 1919. Deaths: Pietro da Cortona (Barrett), painter and architect, 1669; James Agee, writer and screenwriter, 1955. On this day: the Kennedy Derby was first run at Louisville, Kentucky, 1875; the first Academy

Awards ceremony was held in Hollywood, 1929; the Soviet spacecraft *Venus 5* touched down on Venus, 1969. Today is Ascension Day and the Feast Day of St Brendan, St Camotocor Caranog, St Domnolus of Le Mans, St Germerius or Gernier, St Hilarion of Amiens, St John Nepomucene, St Peregrinus of Auxerre, St Pissidius, St Simon Stock and St Ubaldus of Gubbio.

## Lectures

National Gallery: James Heard, "Fruit and Flowers (III)", Caravaggio. *The Supper at Emmaus*, 1 pm. Victoria and Albert Museum: Miranda Nagle, "Neo-Classical Silver", 2.30 pm. Tate Gallery: Guy Brett, "Susan Hiller's Writing on the Wall", 1 pm. British Museum: James Putnam, "Collected: installations by Richard Wentworth and Fred Wilson", 11.30 pm.

## Maj-Gen Bob Cook

A service in celebration of the life and work of Bob Cook will be held at St Bride's, Fleet Street, London EC4, on 18 June at 11 am. Those wishing to attend should contact Col Andrew Carter on 01258 482083, before 11 June.

## Dinners

Lincoln's Inn: Sir Maurice Drake, Treasurer, Lincoln's Inn accompanied by Lady Drake, will be the host at the Grand Day dinner held yesterday evening at Lincoln's Inn, London WC2. Among those present were: Dr L.M. Singh, High Commissioner for India; Lord Bingham of Cornhill, Lord Chief Justice of England; The Right Rev Christopher Herbert, Bishop of St Albans; Lord Nicholas of Bickenhead, Treasurer, Middle Temple; Lord

Cooks of Thornbury; Sir Stephen Brown, President, Family Division; Lord Justice Stanger, Treasurer, Inner Temple; Lady Goodhart, Admiral Sir Peter Alboin, Commander-in-Chief Fleet; Air Chief Marshal Sir Richard Jones, Chief of the Air Staff; Sir Rodney Sweetman, President, Royal Society; Dame Jocelyn Barrow, Maj-Gen Patrick Masiel, Lt Col John Cunningham, Dr Peter North, Vice-Chancellor, Oxford University; Miss Eather Rantzen, Mr Andrew Hume MP, Mr Max Moseley, President, International Automobile Association; Miss Anna's Rose, Mr Richard Palmer, Rabbi Jacqueline Tabibbi, Associate Rabbi, West London Synagogue; Captain PM, Carver RN, Under Treasurer, Colonial D.J. Hills, Under Treasurer, Donsdale.

## Schools

**Sherborne School** The following awards have been made at Sherborne School: Scholarships: N.M. Pinner (Top), Sherborne Preparatory School; R.F. Le Pidy (Rose Wallace), Hazlegrave House; J.J. Collins, Hazlegrave House; O.A.C. Gordon, Port Regis; A.C. Mervin-Smith, Hazlegrave House; W.D. Yates, Sandroyd; N.A.D. Zart, Seely's School. Bursars: N.A.P. Burt, Woodstone House; J.A.W. Board, Wyndham and Sherborne School; R.R. Butler (Writing), Westmore House; G.L. Hart (Rabbin), Lambrook; O.C.L. Hoey, Woburn House; N.J. Minns, St Edmund's, Hindhead; D.D. O'Connor, Mount House; M.J. Patterson, Sherborne Preparatory School; E.L.C. Shaw-Brown, Bramblehey. Jersey Invest: J.C. Britten, Port Regis; E.J.C. Watson, King Edward's, Bath. Art Exhibition: E.J. Horner, The Pilgrim's School. Sports: Peter Scholtenberg, O.O. Harrington (Crawford-Wilson), Arnewood School, New Milton; S.B. Ryan, Birkdale School, Sheffield; S.W. Th, Sherborne School International Study Centre. Music Scholarship: TE. Bayman, Dumpton School; P.J. Flanagan, Salisbury Cathedral School; E.P. Linn, Salisbury Cathedral School; G.P. Male, Port Regis.

## Incorrect procedure in contempt hearing

## LAW REPORT

16 May 1997

Regina v Schot; Regina v Barclay; Court of Appeal (Criminal Division) (Lord Justice Rose, Mr Justice Forbes and Mr Justice Keeble) 12 May 1997

A judge who found two members of a jury to have been in contempt of court did not follow the correct procedure. The Court of Appeal allowed the appeals of Bonnie Schot and Carol Barclay against findings by Judge Cooray at Knightsbridge Crown Court on 24 March 1997 that they were in contempt of court.

The appellants were members of a jury hearing a trial which had started on 18 February 1997 at Knightsbridge Crown Court. Miss Schot was the foreman of the jury.

On 12 March 1997, after retiring to consider its verdict, the jury sent the judge a note which said: "Your Honour, we are unable to come to any decisions owing to some jurors' conscious beliefs. Please advise."

The foreman was asked to explain in writing what "conscious beliefs" meant. A second note read: "Some members of the jury cannot bring themselves to make a true judgment due to our beliefs, not religious but personal. At the beginning of the trial before we took the

oath we felt that we could not stand up in court and stress this fact. We thought that our feelings may change over time. After retiring we have found that we still feel the same and cannot give a true verdict to these defendants."

The judge requested the names of the jurors involved, and was given those of the appellants. He discharged the jury and ordered the appellants to return to court on 24 March to show cause why they should not be punished for contempt of court.

John Perry QC (who did not appear below) and Leroy Redhead (Registrar of Criminal Appeals) for Miss Schot; Stephen Solley QC (who did not appear below) and Navin Sidhu (Registrar of Criminal Appeals) for Miss Barclay; David Parnick QC (Treasury Solicitor) as amicus curiae.

Lord Justice Rose said that the court sympathised with the judge in having to deal with a very unusual situation, but he had fallen into a sequence of errors.

It was very doubtful whether it had been proper for him to seek clarification of the phrase "conscious beliefs", and he ought not, on receipt of the sec-

ond note, to have discharged the jury.

He should have sought the number of jurors who were having difficulties rather than their names. He could then have decided whether to discharge the whole jury or to give them a majority direction. Alternatively, having ascertained that only two jurors were involved, he could have discharged them under s 16(1) of the Juries Act 1974.

In any event the enquiry into the names of the jurors was in breach of the widely expressed terms of s 8(1) of the Contempt of Court Act 1981, which applied to the court as well as to everyone else, and of the long established principle that no one has the right to enquire into what has occurred in the jury room.

Although the Juries Act 1974 did not provide for exemption from jury service on the ground of personal conscientious beliefs, section 9(4) gave a wide discretionary power of excuse. In the light of the *Practice Direction (Jury Service: Excusal)* [1988] 1 WLR 1162, the question to be asked in considering an application for excuse was whether the beliefs of the juror prevented him or her from ful-

filling properly, responsibly and honestly his or her duties as a member of the jury.

Consideration should be given to amending the jury summons or other information given to jurors so as to incorporate some reference to the possibility referred to in the *Practice Direction*.

Contumacious refusal to judge another person might in appropriate circumstances establish the *actus reus* of contempt but it was also necessary to prove the *mens rea*, namely an intention to impede or create a real risk of prejudicing the administration of justice.

There had been no "urgent and imperative need" for the judge to deal with the question of contempt himself, and there had been a real danger of bias on his part. He should either have referred the matter to another senior Crown Court judge, or to the Attorney General.

In his conclusions the judge had drawn no distinction between the two appellants, although their cases were very different. The findings of contempt against both appellants would be quashed. The court also indicated that the imprisonment of the appellants had not been appropriate.

Kate O'Hanlon, Barrister



# Referendums' worth is beyond question

"Our mandate is derived from our ability as Members of Parliament to represent our constituents." That was how Tony Blair's Maastricht Treaty in 1993. Now he is planning up to five separate referendums – on devolution in Scotland, Wales and London, on electoral reform and possibly on a single European currency. It's a feast of democracy which would make ancient Athenians proud.

Let us not play the usual journalistic game of saying "Aha – inconsistent!" Let us instead welcome the sinner that repenting has been. Referendums are a Good Thing. There have only been three of them in this country (Europe 1975, Scotland 1979 and Wales 1979); there should be more. The record is patchy, but they ought to be an antidote to cynicism about politics and politicians. Referendum campaigns enliven debate; they put a duty on our leaders to explain themselves and they hand power and responsibility to the electorate.

But they are not suitable for deciding every jot and tittle of policy – otherwise what would be the point of a parliament? Going too far down the road towards Californian propositioning or Swiss quizzing does take away the importance of placing responsibility in the hands of elected MPs – a delegated responsibility to make judgements on the basis of a thorough political grasp rather than a disconnected political whim. But there is a doctrine emerging, in the classic evolutionary man-

ner of Britain's unwritten constitution, that referendums are appropriate on fundamental constitutional questions, such as relations with Europe and devolution.

It is a doctrine which is still fuzzy at the edges, because it is not clear what is and is not a "constitutional" issue. A change in the method by which MPs are elected, for example, certainly requires a referendum. But the definition should be drawn widely: there ought to be a presumption in favour of a referendum on any important change in the way our political society is ordered which can be simplified to a yes-no choice.

Surprisingly, perhaps, Mr Blair's Government is stretching the definition. Despite Mr Blair's strong personal belief in representative democracy (much reinforced no doubt by the fact that it is today), he has solved a series of thorny political problems by promising referendums. The innovation of constitutional principle is to extend the reach of referendums into local government, by putting the London question to the people of the capital. It is to be hoped that, in future, all changes in local government structure should be put to the people affected.

There are, however, many issues which should not be decided by a referendum. A lot of the so-called conscience issues which are the subject of free votes in the House of Commons should remain with MPs. Abortion, for example, cannot be an absolute question, whatever its militant opponents say. Judgements about circumstances and time limits cannot sensibly

be decided by referendum. Similar arguments apply to the death penalty, although it may be easier to define the crimes to which it applies. But there is another obstacle to this most popular of saloon-bar debating points, which is that parliament has to decide that there should be a referendum. In a representative democracy, one of the roles of MPs is to do things referendums cannot do: adjudicate priorities, assess long-term consequences of decisions and show leadership. It is right that they should decide precisely which issues should be put to the people, in what order and what the questions should be.

This last is an important point. The

wording of questions can often influence the vote, and so should be as fair as possible. Yesterday's draft questions for the Scottish and Welsh referendums are admirable in this respect – leaving aside the inevitable "yes bias" (people prefer to give positive answers to opinion pollsters or governments), and the unnecessary use of the passive in the second question in Scotland (surely the parliament should "have the power to change tax rates" rather than "have tax-varying powers"?). This time, there is no chance of the nonsense about thresholds which wrecked Scottish devolution 18 years ago, because of a requirement that 40 per cent of those eligible to vote had

to vote Yes, rather than a simple majority of those voting.

What of the answers to the questions? Again, as two weeks ago, this newspaper would not presume to tell its readers how to vote. But we have consistently advocated the devolution of power to those parts of the United Kingdom which want it, and have had little patience with logic riddles such as the West Lothian Question. Yes, it will be anomalous for Scottish MPs to have powers over English matters when English MPs have no say in such matters (such as schools and hospitals) in Scotland. But who will lose from this? The theoretical case of English Conservative voters cursing the yoke of a Labour Government sustained by Scottish MPs does not apply to the post-landslide situation since 1 May. If it were to happen, it would indeed raise questions for England – which may turn out to be to England's great advantage, as its own regions demand more say.

More difficult questions of what will happen in practice are raised by the referendum on a new government for London. Contrary to first appearances, the people of the capital will be asked to vote not primarily on whether there should be a new "slimline" GLC, but rather on whether there should be a directly elected mayor. It seems that the new-style mayor would have full executive power, leaving a small Greater London Authority as a talking-shop of "backbenchers". There is still an alarming lack of detail in Labour's plans which need to be dealt with in this autumn's green paper. Would the mayor have the power to appoint elected members of the

authority to executive posts? What if the authority passes a vote of no confidence in the mayor? A directly elected mayor would be a welcome innovation, capable of reviving local government through the idea of personal accountability, but it could end in disarray if the relationship between mayor and authority is not crystal clear. Wisely, the Government has decided that the referendum will not be held until details have been sorted out and the Bill passed by the Commons.

The blessing, though, is that the people affected will be consulted. Let us hope it turns out to be a democracy-enhancing experience.

## Turning up the heat on Barbie

Emma Bonino has done it again. The European Commissioner for Consumer Affairs has told the unpalatable truth. Once it was over-fishing. Yesterday, it was Barbie and Action Man. It is not too early to start planning now, she says – don't buy this Christmas. Instead, parents should buy "educational" toys to introduce children gently to the euro, the currency of their future. We want to do our bit to help the campaign, so here is an educational quiz. World sales of Barbie and Action Man amount to (a) 1.7m euros, (b) 17m euros or (c) 1.7bn euros. Answers on a postcard to Mme Bonino, c/o Planet Tharg.

## LETTERS TO THE EDITOR

### Ethics, profits and plain business sense

Sir: Jack O'Sullivan is right: social and environmental auditing of companies is an idea whose time has come ("There may be no profit in human rights", 15 May). But he is wrong to say that the Body Shop experience would put other companies off trying it.

For the last five years we have been subjected to media scrutiny – it comes with the territory. However, unlike Shell, that scrutiny ended successfully for The Body Shop, in part because of the independent auditing of our performance against our policies on the environment, animal welfare and human rights. That process meant that unsubstantiated allegations flourished rapidly on the rock of the reality of our practice.

Ethical auditing is not about corporate public relations. It is about recognising that business increasingly impacts on the lives and environment of millions of our fellow citizens. Without the systems and independent verification that ethical auditing requires, you operate blindly and too often fall victim to your own propaganda. No doubt Shell senior executives are waking up to that reality today.

For The Body Shop, auditing is plain common sense. It also delivers positive commercial benefits. Our environmental audits have cut our fuel bills and reduced our packaging and transport costs. Our social audit highlighted gaps in our learning and development programme and areas where we could increase co-operation with suppliers to our mutual benefit.

Social and environmental auditing is no longer the preserve of the supposedly eco-ecentric companies. An inclusive stakeholder approach is the cornerstone of the new government and its value is being recognised by more and more companies.

ANITA RODDICK  
Founder and Chief Executive  
The Body Shop International plc  
Littlehampton, West Sussex

Sir: As a PhD student writing on the oil industry in Nigeria, I doubt Shell's sincerity in its recent promises ("Shell pledges to stop flares in Nigeria", 14 May).

Shell promised in 1996 to cut out all unnecessary gas flaring by 2008. To achieve this target, Shell is planning a number of gas projects, especially the Liquefied Natural Gas (LNG) project to start using gas in 1999. Other planned projects include a methanol plant, a gas-to-synthetic conversion unit and an ethylene cracker for petrochemicals.

However, the LNG project, the only Shell gas project currently under way, is primarily a profit-maximising venture that has little regard for the environment. Of the 950-million cubic feet per day of gas that the project will use, only 32 per cent will come from currently flared or rejected gas; the remaining 68 per cent will come from specially developed gas deposits. This compares with 2,000 million cfd flared in Nigeria at the moment, which is in Shell's own words enough "to meet the needs of a small industrialised country like Holland".

Shell must change its internal organisation and allow external monitoring, if we are to regain trust in its management.

GEORGE FRYNAS  
Department of Economics  
University of St Andrews

Sir: Your article "There may be no profit in human rights" hits several



nails on their respective heads. Shell's ever-rising share price clearly indicates that the Brent Spar public relations disaster had no real impact on the behaviour of investors.

Ethical behaviour, more often than not, costs money. Businesses are working for profits. Consumer boycotts last only for so long. A smart strategist would be able to put a price tag on public relations disasters and make a decision on ethical behaviour based exclusively on cost-benefit considerations.

The hope for self-regulation in industries is naive. If Shell suddenly behaved ethically, its competitors would not. Shell's prices might go up as a consequence; their competitors would win the market share.

Public and legislator pressure must be put on whole industries to agree on minimum ethical standards monitored by an independent watch-body operating at national and international level. Pharmaceutical companies have set up community advisory boards, which may not function ideally, but they are a start in the right direction.

Dr UDO SCHUKLENK  
Lecturer in Applied Ethics  
University of Central Lancashire  
Preston

### 'Wrong way' ride

Sir: Why do so many of your correspondents deplore wrong-way cycling down one-way streets? This has been lawful in the Netherlands for years, is being introduced in German cities (a recent trial in Aachen was accident-free) and is even now being introduced in some communities in Brussels – hitherto not a bicycle-friendly city.

ANTHONY MORRIS  
Brussels

### National curb on abuse in homes

Sir: The sad story of long-term sexual, physical and mental abuse of people with mental handicap resident in homes registered with Buckinghamshire County Council (15 May) might never have come before a judge but for persistent probing by *The Independent*, against resistance by the authorities.

Many more instances of abuse are known to occur elsewhere. Bringing individuals to justice and reducing future risk is difficult. The National Society for Mentally Handicapped People in Residential Care (Rescare) has argued for some time that existing and expensive registration and inspection procedures frequently fail to provide adequate protection.

Rescare, whose membership is predominantly relatives of people with mental handicap, suggested to the previous government that existing controls should be replaced by a national system of licensing all staff in all types of residential provision for people with mental handicap. Licences should specify the extent of responsibility allowed to the licensee. An independent inspection system would respond to expressions of concern with power to suspend, modify or cancel licences, subject to an appeal procedure.

Such a system would stop job-hopping by care workers who are suspected or known to be abusing their charges (as happened in the

Buckinghamshire case). And when unease is expressed by relatives, it might be taken more seriously than, sadly, as Rescare knows, is often the case today.

Dr MAURICE BROOK  
Stockport, Cheshire

### Last chance for the Law Society

Sir: I can well understand the concern expressed by Carol Davies (letter, 14 May) about the way complaints about solicitors have been dealt with by the Law Society in recent years. Indeed, the Law Society's own research in 1995 showed that two-thirds of those who complained to the Solicitors Complaints Bureau remained very dissatisfied with the final outcome.

Research findings such as that, and criticisms from a variety of quarters, not least myself, led the Law Society last autumn to replace the Solicitors Complaints Bureau with a new body, the Office for the Supervision of Solicitors, whose aim is to deal with complaints in a much more consumer-friendly way.

As I made clear in my most recent annual report, the new body set up by the Law Society must be its last chance to get to grips with handling right. It should be given time to show what it can do, but if there is no improvement, Carol Davies and the MPs who signed the early day motion may well be right that the present two-stage system, whereby complainants have to have their complaint dealt with by the

professional body before they can refer it to the Legal Services Ombudsman, needs to be replaced by a one-stop independent complaints body.

As regards my own independence and accountability, I would like to assure Carol Davies that I am accountable to Parliament through the annual report which I make to the Lord Chancellor. I am also subject to scrutiny by the Home Affairs Select Committee of the House of Commons and my decisions on individual complaints can be judicially reviewed by the courts.

For the record, out of 1,388 investigations carried out in 1996, my findings were wholly or partly in favour of the complainant in 411 cases.

MICHAEL BARNES  
Legal Services Ombudsman  
Manchester

### Rights charter remakes politics

Sir: Your leading article ("Royalty meets radicalism in Wonderland", 15 May) rightly points out the significance of incorporation of the European Convention on Human Rights. Being able to enforce minimum human rights standards in domestic courts will provide fundamental guarantees to individuals who previously would have had to embark on the slow road to Strasbourg.

However, the impact of incorporation will go further. Once

part of domestic law, the European Convention will have a salutary impact on all aspects of government. All policy will have to be measured against its standards. Ideally these human rights impact assessments will appear on the face of all Bills.

Members of Parliament will be able to hold the Government to account in relation to fundamental principles. Ministers will have to be able to defend their policies and explain why they are necessary in a democratic society, and proportionate to any legitimate aim pursued.

Parliament does not have a good record in Strasbourg. Over two-thirds of all violations found against the UK stem from legislation. With incorporation, Parliament should be less likely to breach its own required standards.

JONATHAN COOPER  
Legal Director  
Liberty  
London SE1

### Animal 'junk'

Sir: We read (Briefing, 12 May) that among the pieces of "rubbish" that apparently "plague" British motorists are the quarter of a million corpses of the animals they killed. How appalling that 54 per cent had to be thrown away as "objects" (serving to avoid them before they were dead was not thought worth the trouble).

We must be grateful to Autoglass for drawing attention to this form of suffering on the part of their clients, but there is a serious omission: the human "pieces of junk" that obstruct the motorist's happy progress have not been counted.

DAVID BEVAN  
London SW11

### Lesbian mother pursued by CSA

Sir: I am a lesbian mother on Income Support who, like Lisa and Dawn Whiting, is being pursued by the Child Support Agency to name my daughter's sperm donor ("Lesbians told by CSA to name the fathers of 'pickle-jar babies'", 14 May).

I don't know his real name or whereabouts. But if the CSA won't accept this, my daughter and I face a 40 per cent weekly benefit cut which will leave us with £60 a week to live on. Thousands of single-mother families have been impoverished in this way; many more have been forced off benefits.

The Act is only concerned with cutting benefits and taking away a woman's right to choose whether to have children and with whom. Otherwise, why are we targeted who women who are not on benefits or who can afford private clinics are not? How can sperm donors be treated as fathers? Do sperm and money equal fatherhood?

There is increasing recognition that the unwaged women do caring for children and others should be valued. Yet single mothers continue to be treated as scroungers who need "real jobs". Every mother, including lesbian mothers, is a working mother and should be entitled to state support. Will New Labour abolish the 40 per cent penalty or do they support a woman's right to choose "only before birth"?

KERRY DAVIS  
Campaign Against the Child Support Act  
London NW6

### Speaker's ruling encourages IRA

Sir: The ruling by the Speaker of the House of Commons to refuse Gerry Adams MP and Martin McGuinness MP facilities at the Palace of Westminster demonstrates, yet again, the hypocrisy of the British establishment. In the late 1970s and early 1980s successive British governments, both (Old) Labour and Conservative, challenged Irish Republicans to test their claims at the ballot box. Now that they have done so, the results are repudiated by the British ruling classes, and the democratic choices of Northern Ireland nationalists are set aside. It is gratifying to see that it is not only the Irish who keep changing the question.

At times one has the impression that the establishment would prefer that McGuinness and Adams had never abandoned violence. If, however, there is to be peace in Ireland it is with such groups as Sinn Féin that governments must have dialogue.

What purpose is served by the present exclusion, except to alienate further Irish nationalist opinion, and to give succour to the more militant spirits within the IRA who have always argued that Britain is not to be trusted and that nothing can be gained by constitutional means?

Dr OLIVER RAFFERTY  
Oxford

Sir: If all candidates standing for parliamentary elections were required to take the oath of allegiance to the sovereign as they handed in their nomination papers, this would at a stroke solve the question of the status of Messrs Adams and McGuinness.

JOHN BURROWS  
Leicester



## essay

# The future face of the Tory party

In the far reaches of the right, Lord Cranborne and Alan Clark are called in aid. In the shattered party in the Commons, William Hague remains the man of the moment. By Donald MacIntyre

Alan Clark was back: he and his wife, Jane, were marking the occasion with the kind of House of Commons cocktail party which made their guests almost forget there had been a general election defeat at all. Or that these familiar faces no longer ran the country, and might not again for a decade, perhaps even a generation. The room was humming. The champagne glasses sparkled in the evening sunshine flooding through the open terrace windows. Patricia plotted with ideologue. Lilley bantered with Haguette. The senior wranglers of Tory journalism, the William Rees-Moggs, the Paul Johnsons, the Simon Heffers stood sagely in little groups, taking the erratic pulse of a fertile Tory establishment.

Sir Charles Powell, Margaret Thatcher's former foreign affairs private secretary, announced his intention to persuade his host, now the incumbent of the safest Tory seat in Britain, to stand for the leadership as "the only hope". For a second, in this amiable but unpredictable atmosphere of intrigue, you couldn't be quite sure that it was a joke.

That isn't, as it happens, Clark's intention. Instead he will run next week for the chairmanship of the 1922 committee – and incidentally, therefore, to be returning officer of the leadership contest – on a platform which will pledge to delay the contest on the grounds that the party is anything but ready for it.

One certain consequence is that the party membership would finally secure a say in the choice of leader, which Clark wants it to. If the contest were to be delayed, Michael Heseltine, his heart problems immediately after the election having disabled him from standing, would seem the obvious interim leader to run the party until a delayed contest in the autumn. But some on the right, digging deep into pre-20th century history, have even come up with arcane precedents suggesting that in the absence of a real leader, the post automatically falls to the party's leader in the Lords.

That would entrust, not for the first time, the party to a Salisbury, putting Lord Cranborne in charge until the party's great and good decided the moment had come and that, who knows, a Chris Patten or a Michael Portillo had won a by-election and laid claim to lead the opposition to Tony Blair. "If you



**KENNETH CLARKE, 56**  
Backers: David Curry, John Gummer, Michael Mates, ex-MEP Michael Walsh, Justin Powell-Tuck. Watch out for Douglas Hurd.  
For: experienced, feared by Labour. Some right-wingers might prefer him to William Hague if he made third ballot. Business likes him.  
Against: pro-EMU if the conditions are right.

**STEPHEN DORRELL, 45**  
Backers: Simon Burns, David Faber, Peter Luff, Shaun Woodward.  
For: articulate, clever, track record of caring conservatism which could compete with Blair. Sceptic on EMU. A catch for any rival.  
Against: pre-election gaffa on EMU. Has trimmed on Europe, alienating left without convincing right.

**MICHAEL HOWARD, 55**  
Backers: Francis Maude, David Davis, David Mackean, ex-ministers of state.  
For: heavyweight departmental experience. Leading Euro-sceptic in previous Cabinet. Good at kicking political opponents.  
Against: tendency to go over the top. Not much appeal to left wing. Heavily opposed by liberals including Tory liberals.

**WILLIAM HAGUE, 36**  
Backers: James Arbuthnot, James Paice, Alan Duncan (ex-Portilloist), Tim Yeo.  
For: youth, clean slate. Popular. Fightish background with appeal to left.  
Against: youth, could block other aspirants for many years to come. Not right-wing enough for the hard right.

**JOHN REDWOOD, 45**  
Backers: Iain Duncan Smith, Angela Browning, Howard Flight, Oliver Letwin, David Wiltshire, Marion Roe.  
For: brainy (PhD), Courageous (resigned from Cabinet to challenge Major in 1995). Hugely energetic.  
Against: can be accused of boat-rocking in pre-election period. Heavily disliked by Tory establishment.

**PETER LILLEY, 53**  
Backers: Gillian Shepherd, John Whittingdale (ex-Portilloist), David Willetts, Lord Archer.  
For: formidable intellectual. Many MPs' favourite candidate for Chancellor. Catch for any rival. Serious right-winger.  
Against: no charisma. Not easy to see in presidential-style campaign.

leave the contest till after the summer, most of these cars will have lost their wheels," one senior Tory MP said, contemptuously contemplating today's leadership field.

A good deal of this is exotic speculation. Clark's chances

of securing the chairmanship against duller rivals like Archie Hamilton, John MacGregor (probable favourite if Sir Norman Fowler does not run) and John Butterfill cannot be ruled out. It isn't only that Clark would add a dash of style to a

party in shock. It is also that in an atmosphere in which MPs in once safe seats ruefully compare the sizes of each other's now fragile majorities, Clark's 54 per cent in Kensington and Chelsea gives him a mandate few can claim.

Apart from the leadership candidates themselves, it is the new MPs or those ex-ministers like Clark who have returned from the wilderness who appear to have the most energy and appetite for opposition. For them, after all, the result of 1 May was a victory as well as a defeat. It would be rash to dismiss the possibility that Clark, outsider though he may be, could be the 1922 chairman. But it looks unlikely that the leadership contest will, in the end, be delayed. Loose wheels or not, the motors are running.

And how. One experienced but undecided MP sums up events from polling day: Friday

2 May, a call from John Redwood; Bank Holiday Monday, calls from Stephen Dorrell and Michael Howard, the latter preceded, on the Sunday evening, by a pro-Howard MP enquiring whether he would be in the following day to take a call from the former Home Secretary. A mention to a fellow MP that he was undecided is followed within minutes by a call from Nigel Evans, a key member of the Hague team, to say that "William would love it if you could come in and have a chat with him." A chance encounter with Kenneth Clarke followed by a genial lunch in the Commons tea room. The former Chancellor, typically, made no effort at a hard sell, although his team is in earnest and is already claiming 30 firm pledges along with 10–20 less firm ones. Nothing, yet, from Peter Lilley.

The Howard campaign looks

the most aggressive, even though its key members deny that they were responsible for the counter-attack on Ann Widdecombe after her claim that Howard has misled the Commons over the sacking of the former prisons boss Derek Lewis. Widdecombe, it was said, backed Lewis because she had a crush on him. Whatever the source, this outlandish claim has done more damage to Howard than to his tormentor, who will continue to harry Howard despite predictably failing to secure Commons time yesterday to air her grievances.

One of the most interesting long-term developments of the leadership battle is the slow, tentative flowering of the democratic impulse in the Tory party. Robin Hodgson, chairman of the National Union of Conservative Associations, has consistently pressed for the members to have a say. So now

have Clark, and at the suggestion of his hacker Lord Archer, has Peter Lilley – for leadership elections after this one. In the short run, with a depleted membership, that would probably help the candidates of the right. In the long run, it would help as the Liberal Democrats and Labour have shown, to increase membership, something vital for the Tories.

Perhaps the most arresting suggestion, with its overtones both of the Bennite Labour reforms of the early 1980s and of the more modernising shift to One Member One Vote democracy, comes from Michael Fallon, an ex-minister who lost his seat in 1992 and has now returned as MP for Sevenoaks. He is proposing a recorded vote of MPs, with ballots of constituency parties, also recorded. An immediate effect would be to make it much more difficult for MPs to

vote (currently they do so in secret) against the wishes of their local parties.

So who is it to be? Conventional wisdom has it that Redwood's support has severely shrunk since 1995. John Major told a friend he would not get more than 30 votes. That Howard has been seriously, perhaps fatally, damaged by the Widdecombe attack. (Interestingly, moreover, it is said that it was Tory grandees rather than his younger lieutenants who privately persuaded William Hague to renounce the short-lived pact he had made over champagne with Howard, and which might have made Howard a shoe-in.) That Dorrell, by moving to from the left to the middle of the road will get run over. That Lilley, though most attractive to the ideological purists of the right, lacks the charisma to break through at the finish. And that Clark, even if he has a strong, perhaps, given the serious split on the right, the strongest, showing in the first ballot, will not be able significantly to increase his vote in the second, let alone, if he makes it, in the runoff. And that Hague, with his Majorish qualities of appealing to both wings of the party, looks the front-runner.

But conventional wisdom has been wrong before. Consider this new and counter-intuitive theory: that on the single currency, the theological issue that most divides the Tory party (theological because it will not actually be the Tories taking the decision over whether to join) and on which Clarke has promised a free vote, Clarke's election would actually make entry into a single currency less likely in the next parliament than that of any other leader.

Why? Clarke has a strongly traditional view that the function of an opposition, rather like the lawyer he is fulfilling a brief, is to oppose. If the Blair Cabinet were to decide in favour of EMU entry, Clarke might well argue that it was the wrong moment, that the criteria had been fudged, that it might be economically damaging, that it could put at risk popular support for the EU. And would be listened to by business. If it were Howard and Lilley, their opposition might be ignored because it was ideological, and Clarke, on the back benches, would lead a rump of business-backed Tories in support of the Government.

Well, it is only a theory, though an ingenious one. But whether or not it is Hague who squeaks home – as looks likely – the party should listen to Clarke. In a *Daily Telegraph* article yesterday he was uncompromising in his message that the Tories have to demonstrate they can "combine a social conscience with economic competence". The worst mistake the candidates could now make would be to think that all they need to win an election is a Peter Mandelson. True, membership is old and small. True, the councillor activist base has crumbled. Organisation is a problem, but it wasn't organisation that lost it.

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## All that jazz – one hundred years of it

When I was first converted to listening to jazz as a boy in the 1950s, the music was not so very old. It had been around in some form since the turn of the century, but it was never recorded at all until 1917, and didn't really penetrate Europe until the mid-1920s, so when I first had my ears bent and burnished by the music, it was still comparatively young – it was only 30 years previously, after all, that it had crossed the Atlantic on its crusading mission to convert the dancing public and turn Ravel's head.

Of course, I didn't see it that way. I didn't think that jazz was a recently arrived music. The 1920s and 1930s, separated from me by the burnt-out years of a long World War, seemed a long way off to a young lad in the 1950s, and when I read Eddie Condon's glamorous and funny account of life under Prohibition (or H.L. Mencken's pyrotechnics from the same era), it seemed as far away to me as George V or the people in funny clothes who jerked about in Laurel and Hardy shorts – impossible

far off, in other words – even though these people who played this wonderful music were no older, many of them, than my parents.

My mother, in fact, could have met and seen many of them. She was American and she had grown up in New York in the 1920s. I never associated my mother with jazz (the only time I played records of the stuff to her, she came out with the maddening line that all mothers use on such occasions, "Very nice, dear") and I found it quite hard to associate her bousewifely status with the Roaring Twenties, but as I was fingering a Louis Armstrong record one day, it occurred to me that it was recorded in New York at the very same time that my mother was a teenager there. I reeled at the thought.

"Did you ever go and see Louis Armstrong when he was playing in a club in New York?" I asked innocently. She inquired who Louis Armstrong was. "Oh, no!" she said, when better informed. "My father would never have let me go to a place like that."

Nor did there seem to be



Miles Kingdon

any regret in her voice. What a waste of a youth, I thought...

Over the years I have seen musicians who were not much older than my mother but nevertheless in almost at the birth of jazz, from Louis Armstrong to Duke Ellington, and Red Allen to Benny Waters, so I have come round to thinking of jazz as rather all within living memory. So it has come as a shock this week to find jazz celebrating a centenary.

Centenaries, after all,

happen in classical music, not in jazz. This year, for instance, is Brahms's centenary. He died 100 years ago. He deserves a year to himself. Fair enough. Bring on the concerts, let off the fireworks. But Brahms-time is a long time ago, a long time before jazz, surely?

Wrong. The same year Brahms died, one of the great jazz improvisers arrived. Sidney Bechet was born in New Orleans on May 14 1897, a hundred years ago (and died, oddly, on exactly the same day in 1959). I never saw him in the flesh, but I came across his searing soprano saxophone on record 40 years ago, so searing that I have never become indifferent to it and still sweat faintly when I hear it. He came from a French-patois-speaking black family in New Orleans, and in his last years, he settled down in France as their grand old man of jazz, even though as a young man he had spent a year in prison in France after letting a pistol off in a musicians' brawl.

You'd think that a brown Creole boy from New Orleans would grow up playing rather elegant music, as all the other

brown-skinned Creole musicians with French names tended to (Achille Baquet, Omer Simeon, Albert Nicholas, Leon "Barney" Bigard and so on) but Bechet was too passionate to be elegant. As the excellent Russell Davies pointed out in his current Radio 3 series on him, Bechet liked to dominate his surroundings both musically and personally, which is no doubt why he ended up playing with lumbering French trad bands who accompanied him like porters accompanying a VIP traveller, but when he was delicate, nobody could be more delicate. The first time I went to France I found a lovely Sidney Bechet record on a jukebox, not to mention a bit of Mozart, which was my first inkling that France takes culture too seriously, but in retrospect it's hard to see who else they could have included on their roster, unless perhaps Django Reinhardt.

And now you are a hundred years old in your absence, Sidney. Well, happy birthday, old man. I shall get your records out tonight and toast you in something intoxicating.

صلى الله عليه وسلم



## Crop trade wars and the maize of confusion

Legal battles loom over genetically engineered produce, says Danny Penman

**P**ity the poor chemical companies. They've spent decades and hundreds of millions of pounds investing in genetically engineered crops and then the selfish consumers come along, sniff about a bit and then audaciously refuse to part with their cash.

Multinational chemical companies may regard genetically modified foods as progress but, to the majority of consumers, it conjures up images of deranged scientists, nasty chemical companies and mutant killer tomatoes.

The industry is accustomed to this response, which is why it employs legions of smooth-talking PR execs to reassure consumers. But it's also acutely aware that reassurance has its limits – the best policy is to get the consumer to buy the products without realising it. This is why, presumably, chemical companies have been battling against the labelling of genetically engineered food. Without labelling, there is no choice, which means the shopper has to buy the genetically modified food.

This strategy would have paid off handsomely were it not for the European Commission, which has just decided that all genetically engineered foods must be clearly labelled. Products, such as margarine made from oils derived from engineered crops will also have to be clearly marked.

The Commission's decision turns the economics of genetically altered crops on its head and could well spell the end of such foods in Europe. In future, food will have to be segregated into separate streams – "natural" and genetically modified. This will have a particularly dramatic impact on soy, which is the only modified crop currently shipping in bulk.

Roundup Ready soy, designed by Monsanto, has been engineered to produce an enzyme that makes it immune to the company's own Roundup herbicide. This makes weeding soy fields a doddle. Farmers simply have to spray their fields with the herbicide to kill the weeds and leave the soy intact.

Monsanto, which produces the modified soy, stood to make handsome profits. The company receives royalties from seed companies and it would also have seen dramatic increases in the sales of its Roundup herbicide. Under the Commission's proposals, American farmers, who produce 50 per cent of the world's soy supply and export about a quarter of their crop to Europe, will have to grow the modified crop in segregated fields. It will then have to be harvested, transported, stored and shipped to Europe in separate and clearly defined streams. This enforced segregation will make the crop more expensive, and the consumer, in any case, is extremely unlikely to buy it.

The prospects of Novartis's Bt Maize, which has been engineered to poison many of its usual pests, are also likely to be severely damaged. Another crop likely to be hit by the decision is a new type of potato designed especially for french fries. Novel types of corn, rape seed and sugar beet resistant to Monsanto's Roundup are also likely to be stillborn.

The Commission's decision is a major victory for an unprecedented alliance of consumer groups, churches, environmentalists, farmers, food processors and retailers. These organisa-

tions have spent years battling to get genetically engineered food labelled, and several of them have been calling for it to be banned. Opposition to genetically engineered food has been muted in Britain but it is a major issue in virtually every other developed nation. In Austria, a fifth of the electorate has signed a petition demanding a ban on genetically engineered food. Governments in Italy, Austria and Luxembourg have banned farmers from growing modified Bt maize. The European Parliament has been involved in a long-running battle with the Commission. It's a battle the Parliament now appears to have won.

But as recently as last month, the Parliament and Commission were at loggerheads over the issue. On April 8, the European Parliament censured the Commission, by 407 votes to 2, for allowing "trade considerations" to dominate the decision to allow the genetically modified Bt maize into the EU and demanded that "food safety and health considerations should have priority in the future". The Parliament also deplored the fact that "the Commission did not take sufficient account of the precautionary principle with regard to the health of consumers, the protection of the environment and the concerns of producers" on an issue that "had implications for each and every EU citizen".

Now, after pressure from virtually every quarter, the Commission has fallen into line with consumers and Parliamentarians. But US farmers, chemical companies and other interests are unlikely to take Europe's decision lying down. Ten per cent of this year's American soy crop is Roundup Ready and the US Department of Agriculture is already in urgent talks with the European Commission to try to force it to reverse its decision.

Europe's ban is probably illegal under World Trade Organisation (WTO) rules. Restricting the import of soy by "unreasonable labelling" is almost certainly a non-tariff barrier to trade and therefore illegal. America has taken the view that genetically modified crops are safe and claims that they are no different to conventional varieties and, therefore, need not be labelled. European consumer groups, environmentalists and farmers say the risks are unquantifiable and therefore should not be taken. On this issue, the WTO is likely to fall in behind the Americans.

The European Commission will come under great pressure over the coming months to reverse its decision. It will have to decide whether the wishes of the people of Europe or US trade interests come first.

Risks associated with genetically modified crops – if there are any – are probably unquantifiable. But one thing is certain – trade interests have an abysmal record of assessing risk. The mad cow disease fiasco, the decimation of wildlife by DDT and the human costs of Chernobyl and Bhopal do not engender a feeling of confidence in risk-assessment capabilities of scientists, policy makers and industrialists.

That is why labelling is such a hot issue. Without it, the public has no choice but to accept the risks doled out to them. But in this game, the risk makers won't be the risk takers.



by Suzanne Moore

**T**he ghastly game of "Whose focus is it anyway?" has been played out in public this week by Soja and Clemens Peters and Karen Roche, dubbed the "Surrogate" mother. The Peterses had paid Roche £12,000 to be the surrogate mother of their child.

Roche said earlier this week that she had aborted the baby, then yesterday admitted that she was lying. Most of us shrug our shoulders in confusion – the prospect of womb-renting is not one that most women relish. To carry a baby to term and then give it away, we imagine, is terribly painful, though it is exactly what anti-abortionists advocate for those who find themselves with unwanted pregnancies. When surrogacy goes wrong, we use this as evidence that we must not try and outwit nature. When it goes right, as it did last week for a grandmother who handed over three babies to a couple, we read headlines such as "Our triplet gift of joy".

Karen Roche appears to be equally muddled. She has lied, saying that she had an abortion because she wanted to keep the child. She suddenly felt "terribly trapped. I had no idea how much publicity the story would get". The Peterses were paid by the Daily Mirror for their story. They are hurt and damaged; the details of this case confirm that what such desperate couples are most in need of is counselling and care. After five miscarriages and 16 attempts at artificial insemination they turned to surrogacy as their last hope.

Surrogacy, which has been described as a "uniquely distasteful form of prostitution", is fraught with difficulties. Commercial surrogacy is outlawed here. However, "expenses" may be paid, which is a way of getting around the law. But it automatically puts the childless couple at a disadvantage, as they will have no rights before birth and few afterwards. To become legal parents they need the permission of the surrogate (the woman who gives birth is treated as the mother). And the genetic father is only considered the legal father if he is married to the mother.

Even when money changes hands, the relationship has to be based on trust. Despite the Peters/Roche case, approximately 200 surrogate births



Whose child? Karen Roche, surrogate (left) and Clemens Peters (with wife Soja), donor

A message of the recent surrogate case is that couples have no right to fertility

have taken place in the last 10 years, without any controversy.

The grisly details of this case have focused on whether Roche had "proper" sex with Peters or was artificially inseminated. This is none of anyone's business but we are increasingly preoccupied with "natural" and "unnatural" methods of conception. Stories of lesbians, turkey basters and pickle jars frighten the horses, or more particularly, the horsemen. Virgin births, babies born to dykes on the dale and children disgustingly referred to as "jar babies" have all made the news.

The transfer of bodily fluids is all that is required for conception, but the idea of a free exchange unfettered by marital contracts is threatening. Armeo to be reduced from dads to donors? Is conception without penetration an "unnatural act"? We can accept all this when it is highly medicalised in the hands of doctors, but when it is a DIY effort we are deeply uncomfortable.

If we are to legislate, the central sticky issue, so to speak, is sperm. Once sperm is donated or paid for, does that give the donor either the right to be a

father or the onus to pay for the child's upkeep? Cynics might suggest that men have always been very good at denying the link between sex and reproduction, yet we shouldn't forget that the severing of that link has been an enormous liberation for women. Women of my generation have grown up safe in the knowledge that sex does not automatically lead to babies. Sex can be had for its own sake.

**R**eproduction is something we fit into busy schedules. Such a split is necessary for surrogacy to work at all, and yet surprise, surprise, something wholly illogical rears its head from time to time. Karen Roche wants to keep the baby that is growing inside her even though she agreed to give it away. Is this wrong? The Peterses now say: "It's hard to believe that this woman is actually a human being." I sympathise, but they are wrong. It's very easy to believe this woman is a human being. She has said one thing and done another. The call for new laws is a call to legislate rationally over a thoroughly irrational area.

Those who cannot have children have to be scrutinised in a way that those who can never are. Their suitability for parenthood assessed by panels of experts. Money talks, of course, and it is taken as a sign of eminent suitability. In such a transaction, a child, or the fantasy of a child, inevitably becomes a commodity.

Our confusion is apparent in the way our vocabulary slips and slides around this issue. Children, we say, preciously, are not commodities or lifestyle accessories – they are for life, not just for Christmas. Childlessness is described as a tragedy and reproduction is spoken of as a right. Therefore, if everyone has the right to have a child, the medical establishment has an obligation to treat childlessness as if it were a disease.

I fail to see that reproduction is a "right" any more than "good health" is a right. Such talk casts childless couples as militant campaigners struggling for what they have been deprived of. How this helps do anything except line the pockets of those peddling largely unsuccessful TVF

services, I don't know. The other way of describing children is as "gifts". As makeshift as this sounds, it is perhaps the most sensible way to look at it. A gift relationship is, as we know, very different to a commercial relationship. It depends on trust, on reciprocity, on respect. We may all like gifts but we do not see them as our right. We don't ask too much about where they come from. The Peterses thought they had bought a gift that in the end Karen Roche could not bear to part with. You cannot steal a gift nor insist that it is rightfully yours.

Such idealism is a long way from a situation in which babies are bought and sold. We cannot legislate it into existence any more than we can persuade society to value the children it has already produced instead of haggling over the ownership of those yet unborn. Legislation is what everyone asks for when no one knows what to do, but we must think carefully. In what other area would you willingly increase the power of the state to tell women what to do with their own bodies?

## Looking the wrong way

Chile's private pensions have been hailed as a model system. But they exclude half the population, says Peter Townsend

**P**ension reform is high on the Labour government's agenda. Tony Blair said so at the dispatch box and much has been made of his appointing Frank Field to spearhead this reform.

Those who speak of reforming welfare often cite the private pensions system in Chile as a useful model. At a public lecture in London last week, Dr Jose Piner, the architect of the Chilean reform, explained what he thought Britain should do, but few yet appreciate what a poor case he has to argue.

The Chilean model was used by the Conservatives in their manifesto plan to privatise pensions – which so enraged Labour when it was announced. Only weeks earlier Peter Lilley had announced plans to introduce a private pension scheme for all young people entering employment, using the shrinking relative value of the basic state pension to subsidise their contributions to private schemes. He also announced that the State Earnings-Related Pensions Scheme would be abolished.

But has Chile's model anything to teach Labour? The House of Commons cross-party social security committee visited the country last year. Its members appear to have been impressed. They should have looked more closely.

The Chilean scheme dates back to 1981, the middle of the 17 years of Pinochet's military dictatorship. A new scheme of individual worker contributions replaced one based on combined contributions from workers, their employers and the state. It was administered by private, profit-making bodies known as administrators of pension funds. They are rather like the "approved societies" which administered social insurance in Britain in the 1930s, which social historians such as Noel Whiteside explained had to be replaced because of their inadequacy in the 1940s.

People were enticed to leave the state scheme in Chile by becoming entitled to place their accumulated contributions to a private alternative, the state scheme into a private alternative. That represented a systematic switch of resources from the public to the private

sector and undermined the financial viability of what was left of the state scheme. Each year about a quarter of the state's budget went to meet those pay-outs. Inequality widened and by 1989, 44 per cent of the population lived in poverty.

The long period of military rule ended in 1990 with the inauguration of President Patricio Aylwin, succeeded in 1993 by Eduardo Frei, supported by a democratic coalition government of centre and left-wing parties. Its principal objective was "growth with equity". However, the dual model of social welfare, which had been

**The UN expected to report favourably but was highly critical**

established during the 17 years of military dictatorship, persisted, and deepened. Chilean analysts such as Pilar Vergara have explained it in depth. In the early 1990s, poverty was reduced but that was more to do with higher levels of economic growth after a period of recession than with the social policies of the Aylwin and, from 1993, the Frei administrations. By 1994, it was increasing again.

In the mid-1990s, in an international review of privatisation, the UN Conference on Trade and Development expected to report favourably on Chilean pensions but came up with a highly critical analysis. For nearly half the population, the scheme had simply not delivered. By 1991 only 52 per cent of those in the labour force were contributors. An "important" proportion of them were going to end up with "acquired benefits less than the guaranteed minimum". The costs of fees and commissions for private pensions remained high and often unnecessarily excessive. Exclusion

from membership because of loss of jobs, loss of entitlement for those floating insecurely from one temporary and often part-time job to another – together with the growth of hazardous self-employment and poverty, and late payment of contributions by employers – had dashed the hopes, and intention, of establishing a near-to-universal scheme.

The UN concluded that a fresh balance needed to be struck between the public and private sector, whereby state pay-as-you-go schemes are strengthened and are combined with individual capitalisation schemes. The best alternative, they believed – preferably to be adopted across the world – would be a three-tier pension system: the first being a universal defined-benefits pay-as-you-go state scheme, combining flat-rate and earnings-related components (jointly providing 30-40 per cent of average earnings upon retirement); the second a "compulsorily-defined-contributions individual capitalisation scheme"; and the third personal voluntary contributions to secure a higher replacement rate of previous earnings.

The welfare reforms of the 1990s seem to have made little difference to an unequal society and an unequal pensions system. Consensus-style politics can allow powerful institutional players to override participants who are weakly organised and poor. In Chile in the 1990s, the administration ran up against resistance from business and right-wing opposition parties to its tax-reform policies and was stripped of an essential tool to reduce social inequalities. Proposals to extend labour law reforms to non-unionised workers also made no headway.

Analysis of the country's income distribution shows that social policy has become ineffectual as an instrument of redistribution. Privatisation has created a dual welfare system, in which services of good quality financed from high incomes co-exist with a depleted and under-financed state system for those who cannot afford the alternative.

The writer is emeritus professor of social policy, University of Bristol.

## Hello, is there anyone there?

Dear Anna,

*I've never written to an agony aunt before but I have this problem. I can't get away from this feeling that no one listens when I speak. Whenever I say anything it is just greeted with a deafening silence. What should I do? Anna? Anna? Are you listening? Is there anyone out there?*

**I** was pleased to hear that Anna Raeburn is taking a pay cut. It's not that I have anything against agony aunts making money out of other people's distress. (How could a journalist object to that?) It's not even just that taking a drop in salary from £180,000 a year will help her to identify more with the problems of us ordinary folk.

She has jacked in her aural problem page with Liberty Radio, the London station backed by Mohamed al Fayed – of Harrods and plain brown envelope fame – and moved back to her old slot on Talk Radio where she is reported to earn a mere £100,000. The problem at Liberty, which was previously an all-woman station called Viva – or Vulva as Bob Geldof used rather rudely to call it – was that no one used to ring for her advice. The station only has 93,000 listeners (according to one week's official ratings) and the straight-talking counsellor was reduced to playing records.

I find this rather reassuring. It shows that large amounts of money don't always buy people. Not just Ms Raeburn, though one must applaud her self-respect in deciding that megadollars was not ample recompense for broadcasting into a vacuum. But it shows that even in our marketing-driven world

you can't buy audiences either.

There have been earlier signs of this. Sky TV recently decided to "rest" Selina Scott's chat show less than six months after signing what the Murdoch tabloids reported as a film contract. One non-Murdoch tabloid recently reported that one of her shows attracted an audience of just 6,000 viewers. (Sky's average is 300,000 and its top shows get a million.)

Even in our lowest common denominator celebrity culture, lubricated with large amounts of cash, they can't, it seems, fool all the people all of the time. We should have learnt that from Kevin Costner's movie turkey *Waterworld*. Topol's gruesomely amateurish West End musical *Ziegfeld*, or HarperCollins' £3.5m advance for the memoirs of Margaret Thatcher which turned out to be a loss leader in every sense of the term, failing to recoup anything like the amount paid out for it, in one of Rupert Murdoch's rare, but spectacular, miscalculations.

This celebration of the failure of celebrity is not mere *schadenfreude*. It is rather a salutary comfort to the rest of us non-famous plodders who are haplessly mired in a puritan work ethic which – links reward with effort and sound planning.

One other example comes to mind. That unhappy football team, Middlesbrough – about to be relegated from the Premier League – made the mistake of thinking that grafting £27m of foreign flair oo to dull base stock could buy them success. But I am too superstitious to say any more about that before the Cup Final on Saturday.

Paul Valley

### PREPARE TO BE SHOCKED.

A minute after this photo was taken, the dog was beaten, soaked with water and electrocuted.

Her crime? To be born in Asia where dealing with the world's biggest stray dog problem is a cruel affair.

Sometimes, the power supply is not strong enough to kill dogs like this. So some are buried alive.

The World Society for the Protection of Animals is working with local authorities and animal welfare groups to convince them to neuter not kill. We're helping by supporting shelters and supplying vital veterinary equipment.

£10 is all it takes to humanely neuter and care for one dog. You can help us save dogs like this and other innocent animals. Please send what you can now. Thank you.

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# business & city

Business news desk: tel 0171-293 2636 fax 0171-293 2098  
BUSINESS & CITY EDITOR: JEREMY WARNER

## Inflation hits 2.5% target and is expected to go lower

Diane Coyle  
Economics Editor

Inflation hit its target for the first time in more than two years last month. In the latest in a flow of rosy economic statistics, figures yesterday showed the underlying rate of retail price inflation declined to 2.5 per cent in April from 2.7 per cent in March.

The news that Kenneth Clarke had delivered on his promise to hit the target by the end of the last parliament came a month too late for the Conservatives. Michael Saunders, UK economist at Sa-

lomon Brothers, said: "Ken Clarke could be forgiven a quiet moment of self-congratulation."

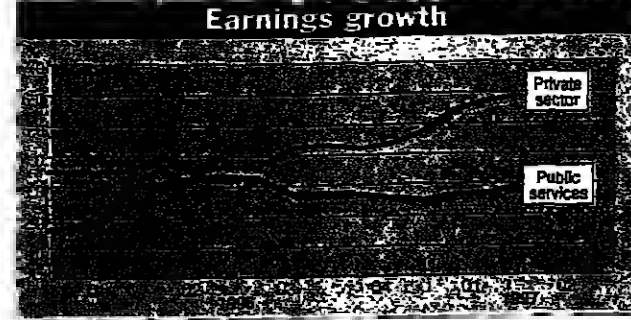
Figures earlier in the week showed the last government had bequeathed the new one lower inflation at the factory gate, a big fall in claimant unemployment last month and somewhat slower-than-expected earnings growth.

Inflation is likely to fall even lower during the next few months due to the impact of the strong pound on prices further back in the chain. But most economists agree with the Bank of England's diagnosis

that the target measure will then start to climb again thanks to the strength of the economy. Sharp falls in seasonal food prices, especially vegetables, helped take the target inflation measure, the retail price index, down to the 2.5 per cent target for the first time since December 1994.

The headline level of retail prices increased by 0.6 per cent during April, while the annual rate fell to 2.4 per cent from 2.6 per cent in March.

Seasonal foods last month cost 13.5 per cent less than a year ago. Vegetables such as



potatoes and cauliflowers have fallen sharply in price during the past two months. Petrol prices fell slightly in

April, and the rate of increase in goods prices slowed further. Even so, retailers have taken advantage of lower costs

as a result of the strength of the pound to build up their margins.

"The core components of goods price inflation remain stubbornly high, despite collapsing producer and import price inflation," said Adam Cole at James Capel.

This echoed a remark in the Bank of England's Inflation Report earlier this week. The Bank noted that the pass-through from the higher exchange rate to retail prices had not been as big as past experience would have suggested.

The price of services increased at a much faster rate

than high street goods prices in the year to April. At 3.3 per cent, it was almost twice as high as goods inflation of 1.7 per cent.

Paul Turnbull at Merrill Lynch said: "The inflation outlook this year is pretty good but looking further ahead there will be an upturn."

He added that it would be a modest increase, especially now the Bank of England can set interest rates independently.

Other analysts were still more optimistic about price prospects. Jonathan Loynes at HSBC Markets said: "The very

steep fall in factory gate inflation over the last year is feeding through to the retail environment. The process has much further to go."

Separate figures yesterday showed an increase in the level of mortgage advances in April, rather than the usual seasonal decline. But Barclays Mortgage said the growth in lending was lower in than previous months.

Jim Chadwick, marketing director, said: "The dampening of growth in demand for mortgages should be seen as beneficial to the market, heralding a period of greater stability."

## BT would challenge windfall tax in court

Chris Godsmark  
Business Correspondent

British Telecom's relations with the new Government were thrown into turmoil yesterday after an unexpected intervention by Sir Iain Vallance, the chairman, who warned the company may challenge Labour's planned windfall tax through the courts.

In a declaration which surprised even fellow directors, Sir Iain also revealed he had voted Labour at the last election, adding he would not have done so had he believed BT would be included in the tax.

"I for one would not have voted Labour if it had been in the manifesto," he said as BT revealed annual profits of £3.2bn, a 4.7 per cent increase on the year before. Government sources said they were astonished by the outburst, which showed "political naivety".

Asked to confirm how he had voted, Sir Iain said "Labour", adding that it was not the only occasion he had supported the party in an election. Robert Bruce, BT finance director, said it was the first time he had heard Sir Iain reveal his political affiliations in public.

Sir Iain insisted BT had received no indication from the Treasury whether it would have to pay the tax. "We have had no discussions with the Government. It is a long step from being considered to being taxed."

However he made clear that BT would use the legal system to fight the policy, to be included in next month's budget, though it was too early to say whether this would be in the UK or through the European Court.

"No Labour spokesman or minister has referred to BT in the context of the windfall tax. There's been no statement before the election and therefore the Government was not mandated to tax BT."

**To line BT up with the monopoly utilities for punishment in my view would be quite perverse**

"It would be the fiduciary duty of the BT board to challenge this in the courts and we would not hesitate to do so."

Sir Iain denied his attack was linked to other issues under discussion with the Government. BT has offered to connect schools to the information superhighway for free and was hoping for an early end to the ban on broadcasting entertainment down its phone lines. It also wanted the go-ahead to buy the 40 per cent of the Cellnet mobile phone network it does not already own.

Sir Iain insisted BT's relations with the Government would not

be damaged by the intervention. "It would be perverse to take our ball away and we wouldn't do so," said Sir Iain. He said the issue was "a storm in a teacup".

Labour's most recent policy statement, before the poll, appeared to widen the tax base to include BT, airports operator BAA and Railtrack. Gordon Brown, now chancellor, said the tax would apply to "privatised companies that are licensed and regulated by statute".

figure would be £318m. Both groups agree that on other measures BT could pay nothing, because recent returns for investors have been disappointing.

Sir Iain repeated yesterday that BT was no longer a utility. "We're not a monopoly, we're not a utility. To line BT up with the monopoly utilities for punishment in my view would be quite perverse."

Though the UK phone market has been open to full competition since 1991, BT has held onto most of its customer base. It still has 91 per cent of residential telephone lines. Last year its number of residential lines fell by 110,000 to 20.4 million, mainly due to competition from cable companies. Turnover from international calls fell by 16 per cent during the fourth quarter of last year to £416m. However operating profits in the same period rose by 19.6 per cent to £695m, reflecting lower redundancy costs.

Martin Siner, economist with LBS, said BT's defence was largely irrelevant. "The argument has no impact because in the past, when the windfall gains were made, BT wasn't exposed to the same level of competition."

British Gas, renamed BG, also declined to rule out a legal challenge as it announced a 23 per cent fall in current cost-price profits in the three months to the end of March, to £71m. "It's just speculation about what

anybody would do. We need to see the legislation," said Philip Hampton, finance director.

ScottishPower yesterday sought to contrast its less public opposition to the tax, refus-

ing to comment beyond insisting that any dialogue would be made directly with the Treasury.

The group announced a 38 per cent surge in annual profits to £558.4m before tax. Ian

Russell, ScottishPower's finance director, said the company was in talks with several non-utility businesses about expanding its domestic gas operations.

Comment, page 23



Sir Iain Vallance: 'I would not have voted Labour if [a tax on BT] had been in the manifesto'

## Regional paper publisher in bid talks

Cathy Newman

Adscene, the regional newspaper publisher, is holding "serious talks" with a potential bidder, according to industry sources. A takeover would be the latest sign of further rationalisation of the regional newspaper market.

Harry Lambert, the group's chairman and chief executive, is understood to have received tentative approaches from several regional newspaper groups, and has apparently held formal talks with one of them. Mr Lambert was unavailable for comment yesterday.

The sources said the publishers likely to have made moves to acquire the group included Northcliffe Newspapers, part of the Daily Mail and General Trust, Trinity International Holdings and Johnston Press. Southcliffe is understood to have shied away from making a bid because it believed the asking price was too high. Adscene has a market capitalisation of around £31m on last night's unchanged closing price of 142.5p.

Adscene's shares have jumped over the past few weeks, leading to speculation that a bid was in the offing. Although Mr Lambert is known to have flirted with possible predators in the past, he may need to take decisive action soon as the company has experienced difficulties over the past year.

Adscene issued a profits warning this year a year ago, blaming slower-than-expected economic growth, snow in the Midlands, and a further rise in newspaper prices.

Investors have also become concerned about the strength of the company's management. Robert Broadley was appointed finance director in March but the group has failed to recruit a managing director, despite several months of looking.

Analysts have expressed concerns that the publisher did not have sufficient management expertise to cope with its ambitious expansion strategy. In December 1995, Adscene paid £19.5m for the Tamworth Herald group and the 51 per cent of the Lichfield Mercury group it did not already own. At the same time, it bought Emap's Kent newspapers for £9.85m.

The markets have also reacted adversely to delays to the promised sale of the print division. The former finance director, Nigel Chevin-Hall, and printing director, Charles Grant-Salmon, resigned last November to head a proposed buyout of the printing division, but their offer does not appear to have been accepted by Mr Lambert.

Adscene publishes more than 80 regional newspapers in Kent, Nottinghamshire, Staffordshire, Lincolnshire, London, and the West Midlands.

## Germany goes on gold raid to qualify for EMU

Imre Karacs  
Bonn

In its desperation to qualify for European Monetary Union, the German government is raking in the gold of the Bundesbank.

Like a Wagnerian god, Theo Waigel, the finance minister, descended on Frankfurt yesterday, ordering the gnomes of the central bank to revalue their gold and foreign exchange, and to redeem some of the state's debts with the proceeds. No bullion will be sold, the government insists, but the price of gold fell on the first rumours.

Throughout its short history, the cautious Bundesbank has grossly underestimated the value of its gold, some of which is still stored in the central bank vaults of Germany's allies. In accordance with standard German practice, the bank records its assets at their all-time lowest price or at the purchase price.

A revaluation could bring a huge windfall profit to the bank. In gold alone, the Bundesbank holds 95 million ounces, originally acquired at an average

price of DM144 an ounce, adding up to a total value of DM13.7bn (£5bn). At the current market value of about DM600 an ounce, it would be worth about DM57bn.

This is the loot on which Mr Waigel has set his eyes in order to plug a hole in his budget. Germany, once the most disciplinarian among Europe's profigate governments, is on course for hustling the Maastricht criteria in 1997, the qualifying year.

That much has been known for some time, but only yesterday, when an independent panel of government advisers issued their damning verdict, did Mr Waigel accept it. According to the panel, tax revenues this year would be DM18bn lower than forecast by Mr Waigel's ministry, equivalent to 0.5 per cent of GDP. Just over half the shortfall would be a hole in the central budget; the rest would be budget to regional and local authorities.

With the official government forecast reckoning on a budget deficit of 2.9 per cent, this preliminary shortfall takes govern-

ment expenditure over the 3 per cent deficit ceiling allowed by the Maastricht Treaty. The loss in tax revenue is attributed mainly to this year's huge rise in unemployment and slower-than-predicted growth rate.

How the government will use the proceeds of its gold raid, which violates, if not the letter, then certainly the spirit of the Maastricht Treaty, is left unclear. Mr Waigel said that no cash would actually flow into state coffers. The Bundesbank surplus will be used to redeem debt accumulated in rebuilding East Germany. The government's gain is that it will no longer bear the burden of interest on these debts, thus reducing both the total figure for public debt and the annual total for public expenditure.

It is, according to one expert, "a fiddle". Under European Union rules, inspired largely by Germany, member states are not allowed to reduce their deficit by selling gold reserves. The rules are more ambiguous on the question of whether treasuries are allowed to tinker with the valuation of their assets.



Caught short: Theo Waigel has to plug a budget hole

Either way, Mr Waigel's manoeuvre is the sort of "one-off measure" of dubious legality which he has accused the Italians of perpetrating, and only slightly less "creative" than the French government's raid on France Telecom pensions.

Mr Waigel has also cast covetous eyes on the semi-private German telephone giant's hidden wealth.

After a successful flotation last year, Boun still owns 74 per cent of Deutsche Telekom shares, which have risen by more than 40 per cent in value since their issue.

Comment, page 23

## US investment bank to merge with Warburgs

Tom Stevenson  
Financial Editor

Swiss Bank Corporation snapped up US investment bank Dillon Read yesterday in a \$600m (£366m) deal that confirmed the high prices being paid for a slice of Wall Street's corporate finance and advisory work.

The acquisition followed hot on the heels of the collapse of talks between Dillon and its former 40 per cent shareholder, ING, the Dutch financial services group that owns Barings.

SBC said it would merge Dillon Read with Warburgs, the British investment bank it bought two years ago, providing the deal was approved by the US Federal Reserve Board. Although the price paid represents around three times Dillon's book value, SBC said it did not believe the acquisition would result in a material dilution of earnings. The Warburgs acquisition in 1995 was struck at one times book value.

Hans de Gier, chairman and chief executive of SBC Warburg, said: "The creation of a strong, US-based franchise, centred

on advisory and equity financing, will enable us to improve our position in these corporate finance-led international businesses."

The absence of a meaningful presence in the US has been seen as a blind spot for Warburgs that would have to be addressed through an acquisition. The deal follows a previous attempt to gain a US toehold through an agreement to share research with Dean Witter.

Founded in 1832, Dillon Read has 730 employees in its offices in four American cities as well as London, Paris and Tokyo. Last year, the firm was among the leading mergers and acquisitions advisors, having completed 50 deals with an aggregate value of \$45bn. The company is also active in the high yield, equity and private placement markets, having completed transactions valued at over \$8bn in these markets in 1996.

The terms of the deal were struck quickly after Dillon's management decided to shun ING in order to forge a link with a stronger global player. SBC's offer is understood to have

been pitched at a lower level than ING's proposed bid.

Dillon Read was believed to be in talks with other parties even while negotiating with ING. Its partners had an option to buy ING's 25 per cent stake which the Dutch group said it expected them to exercise when talks ended. Dillon's partners are believed to have had the right to buy the stake back at book value, which put them in a strong position to negotiate with other parties.

Analysts said that while the cost of Dillon Read was high, the crucial element of the deal would be the clauses dictating how key personnel would fit in within the new group. The relationship nature of Dillon Read's business will make it important that partners are locked into the merged entity to keep the firm's client base.

For Dillon Read the deal not only means a windfall for the partners, but also the guarantee of not being turned into a niche mergers and acquisitions player without the capitalisation needed to compete with the first-tier players.

STOCK MARKETS					
Index	Close	Day's change	Change (%)	1996/97 High	1996/97 Low
FTSE 100	4696.80	-4.10	-0.1	4691.00	4096.80
FTSE 250	4522.30	-3.70	-0.1	4729.40	4469.40
FTSE 350	2289.70	-1.90	-0.1	2271.80	2017.30
FTSE SmallCap	2316.80	-1.01	-0.0	2374.20	2178.20
FTSE All-Share	2228.79	-1.87	-0.1	2230.66	1989.78
New York	7286.16	+11.95	+0.2	7292.75	5032.94
Tokyo	20209.72	+80.61	+0.4	20209.72	17303.85
Hong Kong	14153.58	+247.12	+1.8	14153.58	12055.17
Frankfurt	3573.69	-21.46	-0.6	3695.15	2848.77

Statistics as of 15 May

INTEREST RATES					
Money Market Rates			Bond Yields		
Index	1 Month	1 Year	Medium Term (%)	Long Term	90 Day Avg
UK	6.28	6.88	6.35	7.99	7.01
US	5.62	6.28	6.64	5.42	6.97
Japan	0.41	0.88	2.54	2.46	-
Germany	3.13	3.31	5.68	6.42	6.44

Source: Reuters

CURRENCIES					
Pound			Dollar		
Index	Yesterday	Change	Index	Yesterday	Change
\$ (London)	1.8405	+0.0002	1.5153	0.8096	-0.0002
\$ (New York)	1.8405	+0.0002	1.5153	0.8096	-0.0002
DM (London)	2.7896	+0.0101	2.3287	1.7006	+0.0001
¥ (London)	194.112	-0.0084	160.548	118.325	-0.0075
£ Index	99.3	+0.5	84.7	103.1	-0.3

Source: Reuters

## Midland to create 600 phone banking jobs

Midland Bank is to create up to 600 jobs in Scotland with the opening of its fourth telephone banking centre. Some 200 people will be recruited for the new Customer Service Centre at Lochside Court on the Edinburgh Business Park this year, with the remaining 400 posts being filled when the site is fully occupied in 1998.

Midland said it was expanding from its two sites in England and one in Wales to help cope with increasing customer demand. It also announced plans to extend its telephone service to handle calls seven days a week.

The news follows plans announced last month by Midland's First Direct division to create up to 5,000 jobs in Scotland over the next seven years with its new call centre at Hamilton in Lanarkshire.

Keith Whitson, Midland's chief executive, said: "Our new site is designed to help satisfy demand from Midland's customers for banking services by telephone into the next century. We have chosen Edinburgh because we are very impressed with the quality of the local people and the premises."

Arnaut  
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at Guir

MAM sh  
hit by fea  
weaker gr

Tom Stevenson  
Financial Editor





Airports cannot be defined as a utility, Sir John Egan argues, nor does BAA have a monopoly. So where are the transatlantic jumbos meant to land: Biggin Hill?

## Labour can't separate the utility sheep from goats

When is a utility not a utility? Come to think of it, when is a monopoly not a monopoly? When there's a windfall profits tax in prospect seems to be the answer. Sir John Egan's extraordinary assertion yesterday that he would not have voted Labour had he realised it might try and hit BT with its proposed windfall tax on the excess profits of privatised utilities rather begs the question of why he thought he was going to escape it in the first place.

The answer he gave yesterday was that BT is neither a utility nor a monopoly, an argument which intriguingly is also used by Sir John Egan of BAA (the former British Airports Authority). To Sir John's mind, running a public telephone network is apparently not the same thing as running a utility. Nor does having 90 per cent of all domestic telephone subscribers add up to being a monopoly. Mmm. Sir John uses much the same fuzzy logic. Airports cannot be defined as a utility, he argues, nor does BAA have a monopoly. So where are the transatlantic jumbos meant to land: Biggin Hill?

Leaving aside this slightly unreal debate in semantics, there's more than a chance that the real source of Sir John's misinformation was the horse's mouth itself - Tony Blair. Mr Blair is temperamentally against the tax, which he rightly sees as arbitrary and oppressive. But the money for welfare in work has to come from somewhere, so he accepts it as a necessary evil. However, to Mr Blair's mind there are good utilities and bad ones;

BT falls into the former category, for it operates in a competitive market place and is a company Britain can justifiably be proud of.

At the genesis of the windfall tax policy, then, there was a good chance of BT being excluded. Mr Blair even hinted at it in his various public pronouncements on the tax. Then along came the problem of definition - how to distinguish the privatised companies Labour does want to hit, without actually naming them, from those it does not. It proved an impossible task. Furthermore, Labour has been subjected to a furious lobbying campaign from those who always were going to be hit to spread the net as widely as possible.

The upshot is that Mr Blair has lost the argument to Gordon Brown and BT is now very definitely to be included. What this will do to the love affair between BT and New Labour is anyone's guess. Sir John insisted yesterday that despite the possibility of taking legal action against the Government, he wouldn't be taking his ball away. He still wished to establish a close working partnership with the new administration.

The damage has nonetheless been done. In terms of public relations, it really wasn't a smart move for Sir John to come over all indignant about the windfall tax on the day the company announced a £30 profit. Indeed his comments could reasonably be described, as they were by Government sources yesterday, as politically naive. Other utilities are choosing stoically to swallow their medicine in public while complaining

loudly in private. Given that there is absolutely nothing anyone can do to stop the tax, that would rather seem to be the more mature and fruitful approach.

### Germany learns how to fudge

German politicians seem to have fallen victim to the all too human affliction of thinking that there is no problem in making inconsistent statements provided you do it often enough. Eventually everyone will come to accept that there is no inconsistency. EMU will start on time. Germany will qualify for the single currency. Its budget figures will not be fudged. Say it again: EMU will start on time. Well, what about fudging the figures then?

Fiscally virtuous Germany has at last accepted the incompatibility between those three aspirations, a difficulty long recognised by its French and Italian neighbours. The trick of revaluing Bundesbank reserves to extract enough money to reduce government debt and interest payments is probably not strictly outside the letter of the Maastricht rules. But it is certainly not in the right spirit. This did not stop Theo Waigel, finance minister, and Günter Rexrodt, economics minister, repeating the usual yesterday. But the financial markets leapt to the obvious conclusion, and marked down the premium on Italian over German government debt to a record low of 1.48 percentage

points. For if Germany has to be creative with the figures in order to turn a slightly greater than 3 per cent of GDP budget deficit into a barely below 3 per cent one, it will not have a leg to stand on, politically speaking, if it tries to keep Italy out of the single currency for doing the same kind of thing.

But for all the German government's late discovery of creative accounting, it would be a mistake to conclude that there is no real difference between its budget position and the Italian government's. It would be daft to exclude from EMU any country whose budget deficit has fallen, is still falling, but just misses the 3 per cent target. It would be just as daft to include a country that has wrenched its deficit into shape for one year using a whole raft of special measures whose effect will not last.

Italy is not yet in the same fiscal league as Germany and France. Their race to the finishing line is being slowed by recession; Italy is tethered to the starting post on a piece of elastic that will snap back after 1997. Unfortunately, the terms of the treaty are not subtle enough to distinguish the different cases.

The result of Germany's embarrassment is that Europe may be forced into a difficult and silly choice between an economically sensible single currency and a politically acceptable one. It can readily be seen that these two aspirations are moving swiftly apart. Germany is going to find it increasingly hard to do what it always intended - exclude Italy and Spain. And if it has to

include them, then opposition to the single currency in Germany is going to harden.

### Rethink of strategy for SBC Warburg

What to make of SBC Warburg's acquisition of Dillon Read in the US? Well, for starters it creates a very long name. The new bank is to be rechristened SBC Warburg Dillon Read. Too much of a mouthful? How about SBCWDR then? If that sounds more like a radio station or advertising agency than an investment bank, tough.

The acquisition is also a bit of a reversal in strategy on at least two fronts. Only recently the bank said it wasn't interested in big bolt-on acquisitions in the US. Furthermore, the idea under George Fieger, a McKinsey wunderkid, was to get away from old style relationship investment banking and restructure along sales and product lines. Dillon Read is very much a relationship corporate finance house, and it seems probable that its chief operating officer, Franklin Hobbs, will re-establish that approach at SBC Warburg once he takes over as "global" head of corporate finance. But no matter. This is corporate finance and today's new idea is tomorrow's old one. The opportunity to buy Dillon Read came up and Warburg would have been silly to turn it down. The acquisition will leave the bank well placed to go for one of the really big fish on Wall Street should the market eventually crash.

## Arnault's no show stirs shareholders at Guinness agm

Nigel Cope  
City Correspondent

Bernard Arnault, the only member of the Guinness board who voted against its planned £24bn merger with Grand Metropolitan, failed to attend its annual meeting yesterday. Mr Arnault, the chairman of Moët Hennessy Louis Vuitton, the luxury goods group which owns a 14 per cent stake in Guinness, was not on the podium at a packed meeting in a central London hotel.

No apology or explanation was given for his absence until a shareholder questioned it. Mr Speers, an ordinary shareholder said: "I note that certain members of the Guinness board are not present here including one member [Mr Arnault] who voted against the merger. Is there any significance in that?"

Tony Greener, the Guinness chairman, who has constantly denied talk of a rift between him and the Frenchman, said Mr Arnault was attending another board meeting on the same day and sent his apologies.

When questioned about the issue after the meeting, Mr

Greener said Mr Arnault had given his apologies "months ago". Asked whether the alleged "rift" between them was so bad that Mr Arnault had deliberately chosen not to attend, Mr Greener said "absolutely not". He added: "He has never been able to attend a Guinness annual meeting before, because he has always had another board meeting on the same day. It's nothing unusual."

Mr Arnault is chairman of Christian Dior as well as LVMH. He is also a non-executive director of Compagnie Générale des Eaux, the French utility. Guinness said all the companies had the same financial year end so a clash of meetings was possible.

When Mr Arnault voted against the GrandMet merger last week he proposed instead a three-way merger of the wine and spirits businesses of Guinness, GrandMet and Moët Hennessy, the LVMH drinks subsidiary in which Guinness holds a 34 per cent stake.

Mr Greener also discounted the possibility that an investment bank might devise a break-up

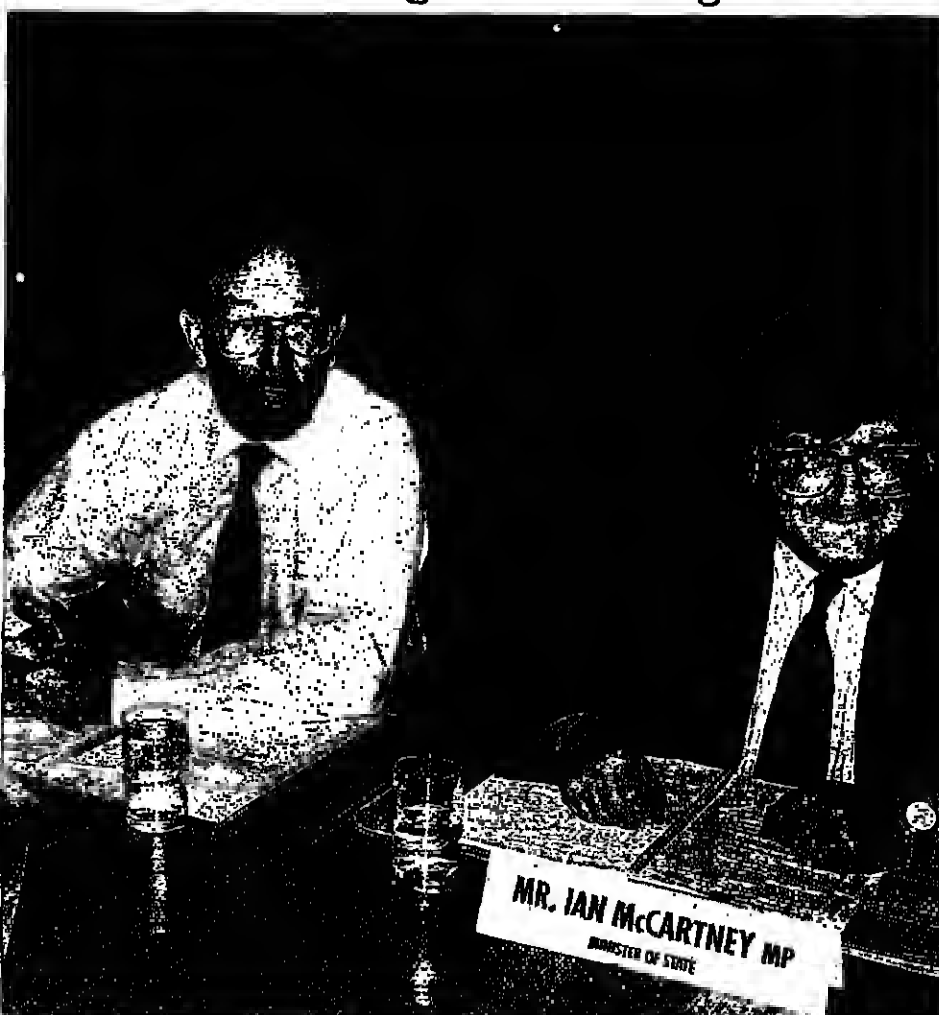
bid for Guinness which would deliver Mr Arnault the company's spirits operation, United Distillers which he could then integrate the business with his own drinks group, Moët Hennessy. "If that was going to happen I would have thought it would be much more likely if the shares were nearer £4 than £6," Mr Greener said. The shares closed 6p lower yesterday at 566.5p.

Alternatively, analysts say the proposed merger might provoke Mr Arnault to sell his 14 per cent stake. He sold 7 per cent of the company's shares in January. Guinness directors will meet Mr Arnault at the next Moët meeting in the next three weeks.

Another shareholder criticised the Guinness board for a lack of imagination in their choice of name for the new company, GMG Brands. He suggested "Guinness Galore" as an alternative.

Mr Greener said he and the GrandMet chairman George Bull had considered GGM but had decided against it as it "might have connotations with horses and carts".

### Sir David Simon brings business into government



Sir David Simon, the new Minister of Trade and Competitiveness in Europe and former BP chairman (left) with Ian McCartney, industry minister responsible for the minimum wage, at the first meeting of the Government's inter-departmental task force. The body focuses on competitiveness, the completion of the Single Market and promotion of flexible labour markets in Europe.

### IN BRIEF

#### Confusion over US interest rates

Mixed signals on the US economy yesterday left analysts unsure about whether or not the Federal Reserve will raise interest rates when its Open Markets Committee meets next week. Consumer prices increased by only 0.1 per cent last month, but the underlying increase was a bigger than expected 0.3 per cent. Higher prices for clothing, health care and housing were behind the rise, which took the core inflation rate up to 2.7 per cent from 2.5 per cent in March. The headline inflation rate dropped to 2.5 per cent from 2.8 per cent because of a decline in energy prices.

Against the slightly disappointing inflation figures, industrial output was unchanged in April, following big rises in February and March. The rate of capacity use, a figure monitored closely by the Fed, fell slightly to 83.4 per cent. However, the Fed said a strike caused more than half of a 6.8 per cent fall in car and truck manufacture in April. Excluding motor vehicles, output was up 0.3 per cent compared to a 0.6 per cent increase in March.

"The key to next week's decision is the Fed's view of the likely pace of growth in the second half of the year," said Ian Shepherdson, an analyst at HSBC Markets in New York.

#### Final fitting for Chamberlain Phipps

The sale of the last part of Chamberlain Phipps, the shoes and materials maker which went bust last August, was completed by receivers Arthur Andersen yesterday via a management buy-in. The last sale saved 250 jobs in the UK. Receivers had already sold the footwear subsidiaries in the UK, US and Canada. Yesterday they sold the specialist materials business based in Leicester, Hong Kong, India and Canada to John Fallon and the rest of the existing management team for a "significant sum."

Murdoch McKillop said the complex international rescue operation had been completed with only 10 per cent redundancies. TSB Commercial is supplying £2m in working capital to the new company, Chamberlain Phipps Commercial, which has plants in the Midlands, Yorkshire and overseas.

#### German investment abroad soars

The weak dollar and pound helped German investment abroad to rise DM53bn (£19bn) to DM562bn between the end of 1993 and 1995, the Bundesbank said in its May monthly report published yesterday. The Bundesbank said that direct investment in Germany rose DM47 bn to DM271 bn from DM224 bn in the same period. The bank said: "More than 70 per cent of the rise in German investments abroad - around DM39 bn - was in the other fourteen lands of the European Union," the bank said. More than half of the existing total German investment was in the EU area.

#### Gold project costs Lonrho £15m

Lonrho is making a £15m exceptional provision in its half year figures for costs associated with its Amantayao Uzbekistan gold project, which it and partner Anglo American of South Africa have decided to abandon. Lonrho said that it has concluded a six-month review of the exploration costs of the project and the partners have decided to scrap it. The review was prompted by increases in costs in the mining supply industry, the price of gold and local factors, and was conducted jointly with Anglo American.

Lonrho's chief executive, Nicholas Morrell said: "The review demonstrated that there had been a substantial increase in both capital and operational costs and a resultant reduction in the projected return." He said Lonrho "remains interested in the project" and is cooperating with the Uzbek Government and other potential partners in order to establish a basis for the development of Amantayao, which has more than five million ounces of gold reserves.

#### Bullish trading update from GKN

GKN said trading has been "positive" in all its main businesses in the first four months of the current year. Sir David Lees, chairman, told the annual general meeting that pre-tax profits were ahead of the comparable period in 1996 - despite being hit by the strength of sterling of "rather more" than £10m. "We expect 1997 to be another year of progress for the company," he said.

#### Kvaerner sells £22m Amec stake

Kvaerner has made a profit of £22m on the placing in the market of its 52.8 million shares in Amec. Kvaerner placed the shares at 140p each and sold them for £80m cash. "With today's announcement, and the recently announced agreement to sell Kvaerner's shares in Bergeesen, Kvaerner has reached the objective announced following the acquisition of Trafalgar House to sell core-core assets totalling £926m," it said.

#### 200,000 customers sign up with NTL

NTL, the cable company, yesterday revealed it had clocked up more than 200,000 residential customers. The company's financial results also showed that CableTel's residential telephone penetration had increased from 28.9 per cent to 32.9 per cent in the first quarter this year, while residential cable television penetration had risen from 28.9 per cent to 33.4 per cent. Although NTL's continued to make a loss from operations, this was significantly less than this time last year - \$2.3m compared to \$13.9m.

#### Inflation challenge for Morrison

William Morrison, the Bradford-based supermarket group, has reported first quarter sales 2.1 per cent ahead of the same period last year. The figure, which includes two new stores in Stockport and Sunderland in April, is lower than recent announcements from larger rivals such as Tesco, Sainsbury's and Safeway. In a statement to shareholders at the company's annual meeting yesterday, chairman Ken Morrison said the absence of food price inflation was "a challenge for our industry" as cost inflation was continuing.

## MAM shares hit by fears of weaker growth

Tom Stevenson  
Financial Editor

Mercury Asset Management reported a 22 per cent rise in pre-tax profits in the year to March but disappointed the City with a warning that its strong growth over the past 10 years might not be sustainable. MAM's shares reversed their recent powerful run as investors who had expected a share buy-back were also let down.

Hugh Stevenson, chairman, said MAM had achieved compound earnings growth in the 10 years since flotation of more than 20 per cent a year, but added: "Shareholders cannot necessarily expect these rates of growth to be sustainable in the future."

His comments accompanied a rise in pre-tax profits from £140.4m to £171.3m, boosted by a sharp rise in the company's average funds under management during the year from £71.8bn to £85.5bn. New mandates during the period amounted to £5.3bn, with the £3.3bn attracted in the second half equal to the total for the 12 months to March 1996.

Mr Stevenson's caution was mirrored by Carol Galley, deputy chairman, who said MAM had increased the overall proportion of cash and bonds in its portfolio of assets over the past year.

MAM's shares, which have been among the financial sector's best performers, tumbled 69.5p to 1.372p as the market focused on the relatively cautious statement and a sharp rise in the company's operating costs: increased spending on internal systems, the consolidation of MAM's subsidiary in Aus-

tralia and higher performance bonuses pushed costs up from £170m to £220m.

The rise in costs confirmed the high price of retaining talented staff. Attention had focused on that issue earlier in the week when it was announced that a senior MAM fund manager, John Richards, was to set up a fledgling investment business for Société Générale, the French bank.

MAM's strong new business figure was buoyed by the UK and Japan, where the company is hopeful of benefiting from the opening up of that previously closed market to foreign firms. Growth also came from portfolio restructuring fees and significantly higher performance-related fees thanks to the stock market's strong run last year.

Announcing a higher-than-expected dividend payout of 45p a share, up from 35p last year, Mr Stevenson suggested that higher regular dividend payments would be MAM's preferred way of returning excess capital to shareholders.

He defended the company's apparently high shareholders' funds, which rose during the year from £237.3m to £284m, as insurance against the possibility of a disaster such as the Peter Young affair that cost Morgan Grenfell Asset Management £450m last year.

Mr Stevenson said MAM had success in attracting defined contribution business. Increasing numbers of companies are adopting defined contribution, or money purchase, schemes because they are unwilling to face the high cost of defined benefit schemes, which link pensions to employees' final salaries.

Investment column, page 24

## More arrests in Nomura scandal

Japanese prosecutors have arrested the gangster at the heart of the growing payoff scandal at Nomura Securities, the world's biggest brokerage, and raided the firm's head office in Tokyo.

As investigations into the giant firm widened yesterday, the authorities indicated there would be no let-up in the inquiries so that investors did not lose trust in Japan's stock markets.

Adashi Ogawa, deputy finance minister, said: "We are very concerned about the fact that the problem of Nomura has caused a big loss of trust by investors in the stock markets."

"It is a grave blow against the markets, especially as the scandal involved a leading company like Nomura."

The Tokyo district prosecutors' office said Ryuchi Koike was arrested on suspicion of taking 50 million yen (£283,000) in illegal payments from Nomura to stop him from disrupting the company's 1995 annual shareholders' meeting.

Koike's younger brother, a commercial property agent, was also arrested on suspicion of being an accomplice in the affair by allowing his company to be a front for payment of the money.

Earlier yesterday, about 50 investigators marched into Nomura's headquarters in their second raid on the head office

since the scandal broke during an internal Nomura enquiry last March.

The mid-morning raid was interpreted by Japanese observers as an attempt by regulators to send a stern message in the financial community to clean up business ethics.

"The case casts doubt on corporate morality and has considerably damaged investors' trust in the securities market," said Seiroku Kajiyama, a government spokesman.

"There is a need for a full investigation and to develop measures to prevent a recurrence," he said.

The raid was a follow-up to the arrests on Wednesday of two former Nomura executives and a

third senior Nomura official in a case that linked the firm to racketeers. The racketeers, known as "sokaiya", extort money from companies by threatening to disrupt shareholder meetings.

Those arrested included former Nomura managing directors Shimppei Matsuki and Nobutaka Fujikura, who resigned after their posts on 10 March after an internal Nomura probe found they made discretionary deals banned under Japanese law.

The third was Osamu Fujita, a general affairs officer in charge of shareholder meetings, who prosecutors allege made the payments under Fujikura's orders.

The raid was a follow-up to the arrests on Wednesday of two former Nomura executives and a

## Burton to expand store in Nike deal

Sameena Ahmad

Burton, the clothing retailer, has struck an agreement with Nike, the American sportswear group, to expand sales in its flagship Oxford Circus store in London, already Europe's largest fashion store, by a quarter.

The revamp, which will take two years, will give Nike space on four floors and will be modelled on Nike's successful NikeTown concept in Chicago and New York. John Hoerner, chief executive of Burton, said: "This will become a major tourist attraction in its own right, drawing even more people into our Top Shop and Top Man stores. The NikeTown in Chicago has 1 million visitors a year."

The news came as Burton reported its six-month results to 1 March. Pre-tax profits rose 23 per cent to £116m on headline sales up 11.3 per cent to £1.2bn. However, news that underlying sales had risen by just 6.8 per cent lopped 6 per cent off the group's

share price, which closed at 145p. Burton's home shopping businesses bought last year contributed sales of £39.9m.

In a plan he called Graft-On, Mr Hoerner said he intended cross-selling products from the new mail order businesses, including clothing catalogues Racing Green and Hawkhead, through the high street retail stores, which include Burton Menswear and Dorothy Perkins, while using the group's large sourcing capacity to improve the mail order side.

"I am thinking a lot more freely about the potential of our brands. I don't want to get hung up by the organisational structure we inherited."

Mr Hoerner also said that he wanted to extend Burton's one-stop shop concept to sell menswear to encourage men to shop more. Menswear profits slumped by 38 per cent to £3.8m on underlying sales down 2.4 per cent.

Investment column, page 24

## Interflora petition calls for postal ballot

Tom Stevenson  
Financial Editor

The flower power row at Interflora will come to a head later today with the delivery of a 400 signature petition to the association's Sleaford headquarters. The hastily collected petition of member florists will call for a postal ballot on the controversial nuptial of the flower delivery group's board at a dramatic extraordinary meeting last Sunday.

Two florists loyal to the 11-strong former board are travelling to Interflora's head office today to personally deliver the signatures, which comfortably exceed the 10 per cent of the association required to insist on a vote.

A ballot is almost certain to restore the ousted board members to power following their dismissal by a minority of members at a meeting packed with rebels. According to the association's articles, a simple

majority of voters present at the meeting at Warwick University was enough to throw the board out of office.

Their removal followed a campaign of protest at changes pushed through by Interflora's management to the price of membership of the association, the imposition of minimum standards of service and the standardisation of price ranges and delivery times. Many small florists felt their individuality was being squeezed out by an increasingly authoritarian organisation.

Members were also worried about plans to turn the association into a public company, amid rumours that an American flower delivery business was lining up a bid for Interflora.

The delivery of the demand follows the initial refusal of Interflora's new management to organise the postal vote that former chairman David Parry called in his final act at last Sunday's meeting.



## business

# Collins to succeed Lord Hanson in building materials group

Magnus Grimond

Lord Hanson is to be succeeded later this year by Christopher Collins at the head of the Hanson building materials group which now represents all that is left of the once-feared corporate predator's sprawling conglomerate.

Mr Collins, who is married to Lord Hanson's niece, will be only the second chairman the group has had since James Hanson set in train an unprecedented acquisition spree after taking over the Wiles Group in 1965.

But "New Hanson" is a very different animal to Lord Han-

son's creation, a fact underlined yesterday by Mr Collins, who said he was "totally committed to the New Hanson strategy, which is to concentrate on building materials and not to revert to the old acquisition-led strategy."

The group recently disposed of its electrical division and Mr Collins said the only purchases they would be seeking would be "disciplined, bolt-on acquisitions" in its areas of aggregates, bricks and cranes.

The City, however, remained unimpressed. The shares, which have underperformed the rest of the stock market by over 50 per cent since the beginning of 1994, fell 6.5p to 322.5p yesterday.

Analysts said the management of Hanson continues to suffer from the legacy of the old conglomerate. One said: "There is a general view that there are too many accountants, tax specialists and financiers on the main board, rather than operational people, which has held back the rating."

Mr Collins, whose appointment was foreshadowed at the time of last year's four-way demerger of the original Hanson group, rebutted such suggestions.

He said Andrew Dougal, chief executive, and Alan Murray, finance director, had spent a "significant amount of time

running the operations. Mr Dougal is a former managing director of the ARC UK aggregates business, while Mr Murray was heavily involved in the integration of Hanson Brick.

News of the appointment came alongside half-year figures from Hanson showing pre-tax profits slumping from £766m to £263m in the six months to March.

There will be no interim dividend announcement until later in the year because of the decision to move the year end to December.

The figures were distorted by the inclusion last time of Mil-

lennium Chemicals and Imperial Tobacco, demerged in October, and a five month contribution from The Energy Group, which was spun off in February. In fact, underlying profits from continuing operations rose from £66.3m to £69.6m.

Lord Hanson, who is to assume the honorary title of chairman emeritus when he retires at the end of the year, said there were signs of improvement in the UK housing and construction markets and the prospects for the US business were good. "Hanson is in excellent shape to build value for shareholders", he claimed.

Alvis sets its sights on better times as lull between orders pushes profits down to £3m



Alvis, the armoured vehicles and aerospace company, yesterday announced a drop in pre-tax profits from £5.05m to £3.06m, but said the second half should see an increase in sales which dropped by almost £20m to £31m

In the six months to 31 March, Nick Prest, chief executive of the company which provides electronic night-vision sights for the Apache attack helicopter (above), said the lower half-year sales and profits were a result of a much

lower rate of delivery of armoured vehicles. This was due to a lull in activity between major orders. However, he said: "We have seen strong performance in a number of businesses." Alvis shares firmed 0.5p to 141p.

## Scramble is on for BP shares

John Shepherd  
Business News Editor

Investors across the globe scrambled yesterday for a slice of the 170 million shares in British Petroleum that were offered by the Kuwait Investment Office late on Wednesday night.

Goldman Sachs, the US investment house, was inundated with orders for the shares that were apparently offered at a knock-down price of 71p in what was one of the largest block sales on the London stock market. A spokesman for Goldman said there were "significant institutional buyers in the US, continental Europe and the UK".

Dealers said there was no question that the block sale was comfortably oversubscribed. One said most of the stake had probably gone to US institutions which, by historical standards, were holding a relatively small proportion of BP's stock.

BP's shares retreated 20p to 724.5p yesterday but brokers said the decline was likely to be short-lived while the 3 per cent stake in BP was washed through the system. "The fact somebody sells shares does not change the fundamentals of the company," said Paul Spedding at Kleinwort Benson.

Shawn Reynolds, oils analyst at Lehman Brothers, said news of the placing was "not overly surprising" with strong ru-

mours that the KIO was about to offload its stake circulating in the market six weeks ago. "The only thing that is a surprise is the rumoured discount at which the shares were bought."

The secretive KIO declined to be specific about its reasons for the disposal, which reduces its stake in the oil company to 6.3 per cent, other to say it was a "rebalancing exercise".

The KIO picked up slightly more than £1.2bn from selling the stake. The total gain for the KIO was more than double at £2.6bn after adding in the dividend income on the shares, which it has held since the late 1980s and the share price gain over the years.

The KIO built up its holding

in BP in what turned out to be an embarrassing exercise for the UK government, which put up for sale a large tranche of shares just before the 1987 stock market crash. BP later bought back part of the holding from the KIO.

A spokesman for the KIO said yesterday: "The holding of British Petroleum shares has come to represent a disproportionate part of the Future Generation Fund of Kuwait and this is why this rebalancing exercise is being undertaken."

BP's share price has been one of the best-performing among the world oil majors, enjoying a lengthy bull run that started in 1993 when the stock could be bought for less than 300p.

## Clubhaus buys four courses for £10.3m

Nigel Cope  
City Correspondent

Clubhaus, the fast-growing golf course operator, has acquired four courses in the South-east of England for a total of £10.3m. It will finance the deal with a placing and open offer to raise £15.7m.

The four courses are the Meyrick Park golf club near Bournemouth, Dorset, for £1.7m, Stapleford Abbots, Romford, Essex, for £2.9m, The Three Rivers Golf and Country Club, Cold Norton, Essex, for £4m and the Benton Hall golf club, South Wickham, Essex, for £1.9m. The placing and open offer will be for 19.8 million new shares priced at 82p per share.

Clubhaus has acquired seven UK golf clubs this year and has a total of 11 courses including three in continental Europe.

Commenting on the deal, Charlie Parker, Clubhaus managing director, said: "We see these acquisitions as a significant step in implementing our strategy of expanding the portfolio of golf clubs in England. It will enable us to exploit further benefits of multiple ownership, increasing our margins and giving significant cost savings."

The company launched a Clubhaus loyalty card earlier this month. It gives members reduced green fees at the group's courses. In a trading statement it said the early part of 1997 had seen encouraging trading. Membership renewals are in line with expectations and the number of rounds played is ahead of budget.

The company, which was demerged from property group Ex-lands in February last year, said it was close to achieving critical mass. The next stage of development would be to consolidate the portfolio, the company said. This could include the introduction of health and fitness facilities at the clubs to make them more attractive centres for families.

In March Clubhaus announced maiden pre-tax profits of £1.5m on sales of £7.3m for the 14 months to 31 December. Clubhaus shares closed down 1p at 86.5p.

## THE INVESTMENT COLUMN

EDITED BY MAGNUS GRIMOND

# Now Burton needs a follow-up to the Hoerner rescue story

No one can deny that the affable Texan John Hoerner has done a fantastic job in rescuing Burton from the basket case it was when he took over as chief executive five years ago. Mr Hoerner's textbook attack on stock and cost control and the clean up of the group's properties has made Burton's recovery second only to Next's in retail history.

The progress is reflected in some respectable half year results yesterday. Profits from retail, the main part of the business, rose a quarter to £23m on underlying sales up 6.8 per cent. Compared to the struggles of Sears and Storehouse, Burton is definitely on the side of the angels.

As with all recovery stories, however, the question now is whether there is decent growth to follow - something Burton needs to justify its shares, down 9p at 145p, remaining on their high rating of 16 times 1997 earnings. Compared to Next, which is growing underlying sales at 12 per cent, Burton is lagging.

Next has an image which hits the spot with consumers. The concern is whether Burton brands are strong enough to sustain convincing growth, particularly as its strategy is to follow Next into the competitive game of direct mail order. Unlike agency mail order, which has a fairly down-market image, successful direct selling is all about brand.

There are few worries about the Debenhams department store chain, a major contributor to the figures. At the half year underlying sales - almost two-thirds of the group total - grew 9.4 per cent, with profits 24 per cent ahead at £14m.

Opening nine new-generation Debenhams stores over the next four years - offering customers massages and the chance to have their nails done as they browse for clothes and cosmetics - should maintain the momentum. So will injecting products from recent acquisitions - the McCord mail order catalogue, a seller of stylish furniture, and Innovations, which offers all those gadgets you never knew you needed. A Debenhams catalogue, likely by the year-end, could do well.

However the outlook may be more mixed for the group's five multiple chains - Burton Menswear, Principles and Dorothy Perkins for women.

Evans, the outsize womenswear shops, and teenybopper stores Top Shop and Top Man. A worry is that in an attempt to improve its less strong brands, the catalogue businesses will suffer. Principles' arguably stuffy image hardly seems a natural fit with Racing Green's more relaxed style.

There are doubts whether Burton's name is attractive enough to sell Burton's suits and Principles' clothes by catalogue when cheap and cheerful companies like Freemans are around.

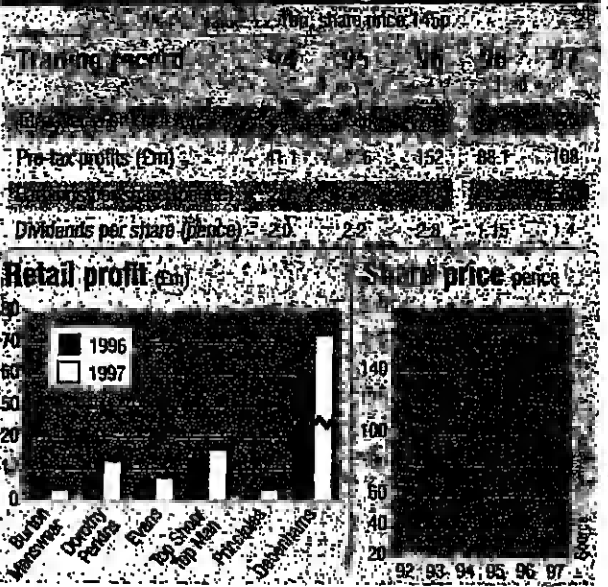
With BZW forecasting £185m profits for the full year, the shares are a hold.

## Bonuses pull MAM down

The market's sniffy reaction to yet another year of 20 per cent-plus earnings growth from Mercury Asset Management might seem curiously. Having seen the shares rise from under £14 last August to well over £14, however, it would have been a less set of figures indeed not to have given the market an excuse to grab a bit of profit.

The 69.5p fall in the price to 137.2p reflected less the headline profit figure, up 22 per cent to £171.3m, than the rather clumsy hidden warning from chairman Hugh Stevenson that the good times could not be expected to roll for ever.

## Burton: at a glance



## Compass still pointing to growth

Everything continues to point in the right direction at Compass, the catering group led by Francis Mackay, former soul-mate of Granada chairman Gerry Robinson. Despite breathtaking acquisition-led growth, which has left annualised sales running at around 10 times their level of five years ago and a £520m hole in shareholders' funds, the group has hardly put a foot wrong.

There were few complaints yesterday about an 18 per cent rise in underlying profits to £56.4m for the half year to March. Adjusted earnings rose a healthy 17 per cent to 12.9p and the only caveat was sterling's strength, given that more than three-quarters of sales are overseas. But Compass is hedged for this year, so any possible problems do not arise until 1998.

Meantime, the group's top three position in most of the leading European catering markets, plus a substantial head-head in the US, leaves it well placed. Although catering in businesses, schools, hospitals, prisons and the like

is a mature business, the continuing trend towards outsourcing means Compass's own market is still growing at around 5 to 6 per cent a year. Stripping out acquisitions, its first half operating profits rose at rates between 10 per cent in the UK and 17 per cent in the US.

And there is lots more to go for, even in the US, the most advanced outsourcing catering market, around 60 per cent of organisations still have in-house operations, while in Germany the figure is more like 95 per cent. In France, January's move to take an 11 per cent stake taken in Compagnie Generale de Restauration, the country's biggest caterer, puts Compass in pole position to leapfrog arch-rival Sodexo in that market if CGR's management ever want to sell out.

With Paribas looking for £136m in the full year, the shares, down 5p at 657p, stand on a heady forward multiple of 21, dropping to 18. That is cheap compared with Sodexo, but they are not to be chased.

# Symonds shares slump on third profit warning

Magnus Grimond

Shares in Symonds slumped 8.5p at one stage yesterday after the electronics to engineering group unveiled its third profit warning this year. The warning came as the group revealed the findings of a damning report by the Arthur Andersen accountancy firm which confirming April's revelation that management had deliberately overstated sales in its precision engineering division. As a result, Symonds said profits for last year would be some £1.5m below expectations, prompting analysts to slash their forecasts from £3.7m to £2.2m yesterday, against £1.45m achieved in 1995-96. The shares, which were 82p in June last year, recovered their earlier fall to end unchanged at 35.5p.

The failures of management at PED have already seen the dismissal of its former managing director, Ken Garner. Another three senior members of

management have been suspended while internal disciplinary proceedings are undertaken against them.

But Rod Ackrill, the Midlands property developer who chairs the company, suggested that further legal moves were unlikely. "We will continue to consider legal action on the basis of the report now delivered, but we haven't uncovered any signs of any personal benefit", he said.

The Andersen report confirmed that management accounts had been falsified, consistently invoicing sales where no goods had been despatched to make up for shortfalls on sales forecasts. This had been done to disguise very poor trading during the year. "These mis-statements have resulted from a concerted effort between certain members of the management to override internal controls", the accountants found. These failings and other problems, including dif-

ficulties on major contracts, production hiccups and larger volumes of low margin work, mean the division is now expected to record a loss of over £1.1m for the year.

Mr Ackrill said there had been no problems with the group's normal auditors, Deloitte and Touche, and new management were already starting to tackle the problems of low margin business taken on PED by the old management.

Separately, the group announced that Jim Symonds, a relative of one of the group's founding families, was stepping down as chief executive and would retire next month. Mr Symonds joined the company with Mr Ackrill in 1993 as part of moves to revitalise the group. At PED, Mr Garner has been replaced by Patrick Curran, a former senior manager at Burnfield. A quality manager and manufacturing manager have also been appointed to the division.

## Company Results

	Turnover £	Pre-tax £	EPS	Dividend
Abbeycroft (F)	67.4m (60.7m)	3.56m (2.50m)	9.8p (7.2p)	3.8p (3.8p)
Abis (F)	31.2m (55.1m)	3.06m (5.05m)	2.8p (6.9p)	1.25p (1.0p)
J Biddy (F)	380m (380m)	21.4m (19m)	8.03p (6.51p)	all
British Telecom (F)	14.9m (14.4m)	3.3m (2m)	32.5p (31.5p)	19.85p (18.7p)
Burton Group (F)	1.2m (1.1m)	108.1m (88.1m)	5.4p (4.5p)	1.4p (1.15p)
Concentric (F)	73m (74.6m)	3.41m (5.34m)	4.2p (6.58p)	2.15p (2.06p)
Persimmon Ltd (F)	139.2m (127.9m)	10.56m (1.11m)	17.4p (11.9p)	13.85p (13.55p)
Hanson (F)	3.25m (6.19m)	282.8m (786.5m)	33.7p (82.7p)	4.0p
MAM (F)	344.5m (270.5m)	173.2m (140.5m)	66.7p (53p)	45p (35p)
Salt Sealing Sys (S)	83.2m (-)	-765.8m (-847.5m)	-14.30p (-106.52p)	nil
Scottish Power (F)	2.5m (2.3m)	558.4m (404.8m)	38.11p (33.12p)	18.5p (15.5p)
Warner Howard (F)	28.7m (27.2m)	7.9m (7.2m)	22.04p (20.78p)	10.5p (9p)

(F) - Final (I) - Interim (M) - Nine months (S) - Split period

## \$1.5bn Chinese order for Airbus

Airbus Industrie yesterday won a \$1.5bn (£916m) order from China for 30 planes, putting the European maker on equal footing with arch-rival Boeing in Chinese sales this year.

China, the world's fastest-growing aviation market, is expected to spend more than \$124bn over the next two decades on planes, buying one in 10 sold globally. Boeing has won \$1.3bn in Chinese plane orders so far this year.

Aerospace analysts said that persistent friction between the US and China over human rights issues and patent-infringement had hurt Boeing, causing the Chinese to hold back on orders they might otherwise have placed with the American maker.

"There has been some slippage in Boeing's market position in China, but not because of Boeing, it's because of international politics," said Paul Nisbet, an analyst with JSA Research in the US.

Boeing supplies about 60 per cent of the aircraft flown by China's airlines. McDonnell-Douglas, which Boeing is planning to buy, is the only foreign company building complete aircraft in China.

"Certainly the recent squabbles between the US administration and the Chinese haven't helped Boeing's cause there, and have resulted in delays in some major orders," one analyst said.

Industry observers also said difficulties in lining up financing and squabbling between Chinese airlines on which ones get new planes have helped slow new Boeing orders.

The order placed with Airbus was part of a clutch of aviation accords signed by French President Jacques Chirac that will produce some \$3bn in exports and investment and challenge America's stranglehold on China's aviation industry. Mr Chirac is the first French president to visit China in 14 years.

Chinese officials acknowledged that France's political relations with them helped put Airbus in a position to win orders. "France is the one country with a comprehensive partnership with China," said Tang Guoqiang, a spokesman for China's foreign ministry. He noted that the only country with a similar level of partnership was Russia.

Asked whether the Airbus order represented a reward for France for treating lightly on the issue of human rights, he said the contracts "show a good relationship has developed in the political sphere between China and France."

"These agreements show China is holding a positive attitude toward the future development of economic and trade partnerships."

## THE INDEPENDENT

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سكنى من الاعلى



## market report / shares

صكنا من الاعل

## Data Bank

FTSE 100	5,712.2	-5.7
FTSE 250	5,219.9	-7.4
FTSE 350	2,667.7	-3.0
FTSE 400 VOLUME	1,693	
FTSE 400 SHARES	1,693	
FTSE 400 BARGAINS	1,693	
FTSE 400 INDEX	3,732	-0.19

## Share spotlight

Company	Price	Change
Glaxo	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Investors scent another Glaxo bonus as price hits peak

Taking Stock

Shares of the Glaxo Wellcome drug giant climbed 30p to a 1,281.5p peak, offering the possibility that shareholders will soon receive another share bonus.

On four occasions in the 1980s and 90s the group has handed out free shares, either through a bonus or split. It has usually acted when it regarded its shares as overweight, an event which starts to become more apparent the more they climb above £10.

US approval to sell an anti-smoking drug, Zyban, provided the latest inspiration. The new treatment, which should be on sale within the next two months, is regarded as one of Glaxo's possible blockbusters with some analysts estimating sales will be nudging \$500m a year by the end of the century.

Zyban is the first nicotine-free smoking treatment. It is said to suppress the need to smoke rather than, like other

treatments, satisfying the craving by offering nicotine in another form.

Another drug giant, Zeneca, put on 15p to 1,983.5p on the planned stock market flotation of its 20 per cent owned associate, Sugen.

The rest of the stock market had a rather featureless session although turnover, ballooned by the Kuwait Investment Office sale of British Petroleum shares, topped 1 billion.

Footsie, at one time down 32.5 points, slowly clawed its way back but failed to end in positive territory, closing 5.7 down at 4,681.2.

Bass, the brewing and hotel giant, frothed up 13p to 829p, partly on Goldman Sachs support. A story that the oen President of the Board of Trade, Margaret Beckett, was on the verge of pronouncing on the controversial bid for Carlsberg Tetley contributed to the activity.

The £200m bid was put in nearly a year ago. The resultant Monopolies & Mergers Commission report was completed shortly before the election campaign got under way but any DTI decision postponed until the new Government took office.

There are suggestions the MMC is demanding any Bass deal should be conditional on the sale of up to 2,000 pubs and some brands. If the conditions are too draconian Bass is likely to walk away.

Abbey National was back in the takeover frame. At one time the shares were down 19.5p. They closed a shade firmer at 935.5p.

## MARKET REPORT

## DEREK PAIN

stock market reporter of the year

Although HSBC is still regarded as a likely bidder the rumour mill seemed to favour a deal with the other contender, BAT Industries.

BAT ran the story, may bid for Abbey or pump its financial operations into the former building society in exchange for shares.

Such a manoeuvre would be the final act in the great BAT unbundling, started when Sir James Goldsmith and friends launched their hostile bid.

BP, after the KIO sold 3 per cent of the company through Goldman Sachs, ended 20p lower at 724.5p with the extent of the discount causing surprise.

A placing in builder Amec gave its shares a 5p lift to 146.5p. Credit Lyonnais Laing and NatWest Securities sold 52.8 million shares (25.85 per cent) for Kvaerner, the Norwegian group, at 140p. The stake was the legacy of the Norwegians' unsuccessful bid for Amec. Kvaerner, which went on to take over Trafalgar House, made a £22m profit on the holding.

Pearson, the banking and publishing group, fell 20p to 702.5p with US house JP Morgan said to be active in the shares. Volume was not heavy but trading was often confused, with market makers caught on the hop.

Safeway, the supermarket group, put on 6.5p to 361p on BZW support; an upbeat trading statement and SBC Warburg backing pushed the Independent Insurance 46p better to 798.5p. Warburg sees profits of £79m by 1999 against

£51.9m last year and put a 1,000p target on the shares.

Mercury Asset Management fell 69.5p to 1,572 following figures and a growing feeling the fund manager is lining up a major acquisition. Barclays gained 1.2p to 1,265.5p as the story that it planned to sell its securities arm resurfaced.

Aggregate Industries, the CAMAS and Bardon group, closed at 52p, up 3.5p.

Calderbank, a furniture group which recently produced improved figures, gained 5p to 38.5p; TLS, the vehicle rental group, held at 114.5p as Friends Provident trimmed its stake to 15 per cent.

Utilitec, the old Cruden Bay, was at one time down 10p following a profit warning and the surprise departure of food manager Matthew Tawse who masterminded the arrival of the gas and water services group. The shares closed off 3p at 70.5p.

Athelney Trust, run by ex-stockbroker Robin Boyle from his Cornish base, increased NAV by 28.5 per cent last year, more than twice the growth of the Eoate Govett Smaller Companies Index. Its small company portfolio cost £870,000 - it is now worth £1.5m. But with a mere £1.2m market capitalisation Athelney may be just too small to continue on its own. It may attempt to grow through acquisitions. The shares, traded on AIM, are 64.5p.

Newmark Technology, placed at 10p, closed at 13p. Stockbroker Leather & Greenwood is bullish, forecasting the company will get into profits by 1999 with an £850,000 offering. Producing electronic security tags, Newmark is described as "one of the best technology-based small company investments around".

## Alcoholic Beverages

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Banks, Merchant

Company	Price	Change
HSBC	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Banks, Retail

Company	Price	Change
HSBC	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Breweries, Pubs &amp; Rest

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Building/Construction

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Building Materials

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Chemicals

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Distributors

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Diversified Industries

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Electricity

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Electronics

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Food Manufacturers

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Food Distribution

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Household Goods

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Investment Companies

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Leisure &amp; Hotels

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Oil Exploration

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Oil, Integrated

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Other Financial

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Pharmaceuticals

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Printing &amp; Paper

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Investment Trusts

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Life Assurance

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Media

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Insurance

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Government Securities

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Mediums

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Longs

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Share Price Data

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## The Independent Index

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Market leaders: Top 20 volumes

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## FTSE 100 index hour by hour

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Retailers, Food

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Retailers, General

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Tobacco

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Transport

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Support Services

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Water

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Angels

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Banks

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Banks, Retail

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Breweries, Pubs &amp; Rest

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Building/Construction

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Building Materials

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Chemicals

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p

## Food Manufacturers

Company	Price	Change
Guinness	1,281.5p	+30p
Wellcome	1,281.5p	+30p
Glaxo Wellcome	1,281.5p	+30p



## business

## Maid set for first payout

Cathy Newman

Investors in Maid, the on-line business information group, could be set for a maiden dividend payment this year, three years after the company floated on the stock market.

Following the recent bullish noises made by the company, Dan Wagner, chief executive and founder, said yesterday there was no reason why a dividend should not be paid this year, but added that the exact sum had not been agreed.

Alastair Smellie, media analyst at ABN Amro Hoare Govett, had notionally pencilled in a 2p dividend for the end of the year.

Although this year's first-quarter pre-tax profits of £2.3m, announced yesterday, were officially inflated by the £3.5m sale of the Internet in hotels technology to 4th Network, the City expected Maid to be on track for a profit during the third and fourth quarters this year.

Mr Wagner remained optimistic over prospects. "This year's going to be a very profitable year. Despite concern over us, at the end of the day we've achieved," he said. Maid's share price rose 3p to 240.5p yesterday.

The chief executive said Maid would be actively pursuing its alliance strategy, which has seen deals with high-profile

names such as IBM, Microsoft and CompuServe. A new tie-up with a global blue-chip company would be announced in the next few weeks, he said.

Recent months have been troubled for Maid, which has seen its share price slide in response to City concerns about its losses.

The Stock Exchange began an investigation into the company last month after unusual share price movement. Mr Wagner said he had not been informed of the outcome of the investigation and the Stock Exchange declined to comment.

Despite the profit predictions from the company, some analysts yesterday downgraded forecasts

for the full year due to the news that a link-up with CompuServe was behind schedule and only went live last month.

Mike Hilton, media analyst at Kleinwort Benson, nudged his pre-tax profit forecasts down slightly to £9.5m for the year. But Mr Smellie estimated £11.5m for 1997, rising to as much as £20m the next year.

The number of staff employed by Maid has more than doubled to 430 in the past year, and the number of offices has increased from five at the beginning of last year to 23. Mr Wagner claimed the company had added 3,100 clients during the past year, taking the total now serviced to 4,300.

## IN BRIEF

## Bibby half-year profits ahead

An increase in half-year taxable profits from £19m to £21.4m was announced by Bibby & Sons, the diversified industrial group. The company said no interim dividend would be paid in view of the 5p special dividend to be paid if the proposal from Barlow to acquire the 21.2 per cent of the issued share capital of Bibby which it does not already own is approved. Bibby said trading conditions for the second half-year remained reasonably good. Richard Mansell-Jones, chairman, was confident the group would make progress for the year as a whole. The continuing strength of sterling is, however, likely to impact more severely in the second half-year.

## Forth Ports raises £13m in placing

Forth Ports is raising £13.6m net of expenses through a placing of 2.28 million shares at 600p each. News of the placing sent the share price down 10p to 615p. The company said the new shares would represent about 5 per cent of its current issued share capital. The money will partially fund some of Forth's plans to develop new business.

## Easynet makes £1.7m acquisition

Easynet Group has acquired Technocom, a supplier of networking products and Internet services, for £1.7m in cash and shares. There is also a deferred consideration of £380,000 in cash payable upon the achievement of a profit before interest and tax for the year to 30 June of more than £140,000. Technocom's assets include £500,000 in cash.

## Carlisle Group back in profit

Carlisle Group reported a turnaround from losses of £4.03m to taxable profits of £331,000 in the year to December. Nigel Wray, chairman, said he had hoped by now that the group would be reporting on a substantial acquisition to complement its newly refocused strategy, outlined a year ago. "In addition to seeking acquisitions that will enhance shareholders' returns we will continue to manage our high-yielding property portfolio and, at an appropriate time, undertake a reduction in share capital enabling us to recommence dividend payments," he said.

## A new job and new 'minder'. Sir David declares himself delighted

## PEOPLE &amp; BUSINESS



Trading compliments: Sir David Simon caused blushes at the DTI drinks party

Spotted at Margaret Beckett's introductory drinks party at the DTI on Wednesday night, Sir David Simon, formerly of BP and now New Labour's Minister for Competitiveness in Europe. Also there was Lade McNeil, the DTI's information officer for trade, who Sir David introduced as "my new Roddy Kennedy". This refers to Sir David's long-time press spokesman at BP. Sir David caused a bit of a frisson when he went on to declare how delighted he was to have such a beautiful "minder". The delighted Ms McNeil blushed bright pink. The "trappings of power" are obviously going to the BP man's head.

Fascinating to hear Sir Iain Vallance of BT declare: "I wouldn't have voted Labour if I'd known BT would have been involved in the windfall tax." (See page 22). So the question arises - how long has Sir Iain been a dyed in the wool Labour voter? The blue-striped telecoms big cheese refused to say.

However, in the hotbed of socialism that has become BT headquarters near St Pauls, Sir Iain did say he had "voted Labour before". Can he really have voted for Michael Foot in 1983, whose manifesto was famously described as "the longest suicide note in history"?

Subsequent research shows more deep-rooted links between Labour and the BT board. We can exclusively reveal that the great grandfather of Robert Brace, BT's finance director, was a minister in one of the first Labour governments.

Sir William Brace was, according to Robert, "something in the Welsh office before becoming Inspector of Mines".

So when exactly was this, we asked. "Well," said Mr Brace, "it must have been in Lloyd George's time, before the First World War."

Hang on a minute. I thought the first Labour Government was formed in 1924. Never mind. I'm sure Mr Brace's understanding of accountancy vastly exceeds his knowledge of history.

Rupert Murdoch's BSkyB may have courted controversy by buying up the TV rights to every sporting event in sight, but there is another less famous company doing the same thing for sports catering. Compass made £1bn worth of acquisitions last year, and while most of it concerned companies that provide catering for business and industry, there was another side.

This was highlighted yesterday when Compass bought National Leisure Catering, which provides food and drink

for Wembley stadium and the Oval cricket ground. Compass's UK chief executive Francis Mackay, an old pal of Granada's Gerry Robinson, can now lay claim to the catering for Twickenham, Ascot, Aintree, Cheltenham, Arsenal and Spurs, as well as yesterday's additions.

So is Compass worried about being scrutinised by the Monopolies and Mergers Commission? "No," replies Ron Morley, Compass company secretary. "There is a lot of competition still. There are a large number of companies prepared to do this kind of catering."

While Compass can provide beer at Twickenham, escalopes at Ascot and burgers at Spurs, it still hasn't got its hands on strawberries and cream at Wimbledon. Any plans there? "That's done by a firm called Ring and Bryner," says Mr Morley. "It would be a nice one to have, but we have no plans for it at the moment," he adds, wistfully.

Accountants are usually a pretty grey bunch. Not so Richard Hall, the partner from Binder Hamlyn who is due to take over as director of finance at the Royal Opera House in July.

Mr Hall says he fell in love with opera and ballet at a young age. For

instance, he became fascinated by *La Bohème* at the age of 12. "I also spent a couple of years working in Milan, so there were visits to La Scala," he says. The Opera House is involved in its own drama at the moment. It has lost its chief executive Genista McIntosh after just four months, with Mary Allen of the Arts Council stepping into the breach. Mr Hall says he was appointed before Ms McIntosh's surprise departure, but denies he has cold feet over the new job. "I'm very excited. There is an awful lot that needs to be done," he says.

Most recently Mr Hall has been working with the Church of England and Westminster Abbey. Perhaps now's the time to pay for a bit of divine intervention.

Mining really is a more exotic world than the rest of business. Take Jim Alnsworth. He's just been appointed chairman of Gold Mines of Sardinia (GMS) having recently retired as chairman of Sons of Gwalia, while he was also a founding partner of Warrior International. They sound more like Spielberg films than gold mining companies.

John Willcock

## De La Rue buys smart card firm

Nigel Cope

De La Rue, the banknote and cheque printing group, has acquired Philips' smart card division in a £54m cash deal that will make it one of the leading players in the fast-growing smart card market. It is buying Philips Cartes et Systemes (PCS), a French subsidiary of the Dutch electronics group.

De La Rue has been keen to expand its interest in card-based payment systems. It is already big producer of magnetic stripe cards. In 1993 it signed a joint venture with Philips to market smart cards.

"The acquisition of PCS will provide De La Rue with full access to smart card product technology to augment the company's traditional card printing and security skills," a spokesman said. Smart cards are seen as a rapidly growing market with Europe, and France in particular, at the forefront of new developments.

The company said the acquisition was not a defensive move to protect it from any longer-term decline in banknote use.

"There is still an enormous demand for banknotes but it is important for us to offer a choice of payments," the company said.

De La Rue and PCS have played a key role in developing smart card industry standards. De La Rue will focus on the emerging standards published by global card schemes such as UKIS, VisaCash, Mondex and Proton.

PCS has operations in Paris and Caen and employs 370 people. Last year it made a loss before tax of £500,000 on sales of £30.6m. Net assets as of 31 December were £10.7m. It produces smart cards supplying the banking and pay TV industries. De La Rue hopes to exploit the convergence between banking, telecommunications and the expanding world of multi-media. De La Rue's smart card activities will trade under the name De La Rue Card Systems.

Last month the company announced 400 job losses in its security printing division, which produces banknotes, travellers' cheques, personal cheques and certificates. The £15m restructuring was one of the largest in the group's history.

## Foreign Exchange Rates

Country	Spot	1 month	3 months	D-Mark	Spot	1 month	3 months
US	164.04	9.7	29.23	1000	30.28	86.7	0.5888
Canada	2.707	65.40	161.173	13843	30.28	86.7	0.5888
Germany	1.7838	79.72	261.37	18988	30.28	86.7	0.5888
France	6.3640	250.234	735.708	27207	19.14	350.338	3.5588
Italy	24586	2.25	4.42	6763	165.225	40.010	867.048
Japan	80.045	85.104	316.304	1631	85.104	316.304	1631
EU	14286	28.25	88.43	1486	14.16	47.49	0.827
Belgium	5.211	15.3	50.44	15080	85.45	265.215	209.448
Denmark	16.12	290.220	823.74	5.4933	129.07	350.340	3.5588
Netherlands	3.138	88.82	271.258	12053	8.5	30.124	0.5888
Sweden	1.0754	10.3	32.5	15311	85.45	265.215	209.448
Spain	1.0754	10.3	32.5	15311	85.45	265.215	209.448
Australia	2.707	21.11	69.31	14330	10.00	108.47	84.338
Switzerland	2.457	84.08	250.440	12839	108.47	325.215	447.8
South Africa	2.3528	37.50	120.27	1453	145.43	38.446	0.846
Hong Kong	4.0893	0.0	2.4	12891	3.5	4.8	0.7591
New Zealand	2.3528	37.50	120.27	1453	145.43	38.446	0.846
Saudi Arabia	6.3640	250.234	735.708	27207	19.14	350.338	3.5588
Singapore	2.3528	37.50	120.27	1453	145.43	38.446	0.846

## Other Spot Rates

Country	Spot	1 month	3 months	Country	Spot	1 month	3 months
Argentina	164.04	9.7	29.23	Nigeria	140.288	35.000	0.5888
Austria	1.7838	79.72	261.37	Philippines	60.673	0.2997	0.5888
Brazil	1.7838	79.72	261.37	Poland	43.2991	26.3890	0.5888
China	1.7838	79.72	261.37	Romania	35.000	0.5888	0.5888
India	1.7838	79.72	261.37	Russia	5.4933	129.07	350.340
Indonesia	1.7838	79.72	261.37	South Africa	2.3528	37.50	120.27
Israel	1.7838	79.72	261.37	Sweden	1.0754	10.3	32.5
Kuwait	1.7838	79.72	261.37	Switzerland	2.457	84.08	250.440

Forward rates quoted high to low are at a discount; subtract from spot rate  
Rate quoted low to high are at a premium; add to spot rate  
For the latest foreign exchange rates call 0801 128 3333.  
Cells cost 50p per minute.

## Interest Rates

UK	Germany	US	Japan
Base	Discount	Prime	Discount
3.25%	2.50%	5.75%	0.50%
France	Discount	Fed Funds	Discount
3.5%	4.50%	5.25%	2.50%
Italy	Prime	Spain	Discount
7.5%	4.75%	3.5%	3.00%
Netherlands	Discount	Sweden	Discount
2.70%	5.00%	10 Day Repo	1.00%
Advances	Discount	Swiss	1.00%
	3.25%	Repo (3m)	4.50%
		10 Year	4.25%

## Bond Yields

Country	5yr	10yr	15yr	Country	5yr	10yr	15yr
UK	7.7%	6.8%	7.25%	Netherlands	2.2%	4.5%	5.8%
US	6.8%	6.2%	6.25%	Spain	7.0%	5.8%	7.35%
Japan	5.50%	1.9%	2.80%	Italy	6.25%	6.7%	7.2%
Australia	10.0%	7.2%	6.75%	Belgium	9.0%	8.2%	8.8%
Germany	6.0%	4.8%	5.0%	Sweden	13.0%	5.7%	6.5%
France	4.75%	4.8%	5.0%	ECU	3.0%	4.7%	5.50%

## Money Market Rates

Overnight	7 Day	1 Month	3 Months	6 Months	1 Year
Libor	2.7	6.4	6.4	6.4	6.4
Bank of England	2.7	6.4	6.4	6.4	6.4
Discount Market	0.4	0.4	0.4	0.4	0.4
Treasury Bills (91)	0.4	0.4	0.4	0.4	0.4
ECU	0.4	0.4	0.4	0.4	0.4

## Tourist Rates

Stock				Stock			
Stock	Sell	Buy	Tot	Stock	Sell	Buy	Tot
Industrial Ind Polio Inc	75.00			Pacific West Ind	145.00	155.00	0.50
US Paper	10.00	25.00	35.00	Pacific West Ind	145.00	175.00	0.50
US Paper	10.00	25.00	35.00	Pacific West Ind	145.00	175.00	0.50
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US Paper	10.00	25.00	35.00	Pacific West Ind</			

## Liffe Financial Futures

Contract	Settlement	High/Low	Est/Contd	Open
Long DB	114.14	114.14	113.88	113.88
Long DB 1st	114.14	114.14	113.88	113.88
Long DB 2nd	114.14	114.14	113.88	113.88
Long DB 3rd	114.14	114.14	113.88	113.88
Long DB 4th	114.14	114.14	113.88	113.88
Long DB 5th	114.14	114.14	113.88	113.88
Long DB 6th	114.14	114.14	113.88	113.88
Long DB 7th	114.14	114.14	113.88	113.88
Long DB 8th	114.14	114.14	113.88	113.88
Long DB 9th	114.14	114.14	113.88	113.88
Long DB 10th	114.14	114.14	113.88	113.88

## Liffe FTSE 100 Index Option

Series	Settlement	High/Low	Est/Contd	Open
July	4800	4800	4790	4790
Aug	4800	4800	4790	4790
Sep	4800	4800	4790	4790
Oct	4800	4800	4790	4790
Nov	4800	4800	4790	4790
Dec	4800	4800	4790	4790
Jan	4800	4800	4790	4790
Feb	4800	4800	4790	4790
Mar	4800	4800	4790	4790
Apr	4800	4800	4790	4790
May	4800	4800	4790	4790

## Commodity Indices

Index	Settlement	High/Low	Est/Contd	Open
Oil	18.34	18.34	18.34	18.34
Gold	342.00	342.00	342.00	342.00
Silver	17.75	17.75	17.75	17.75
Copper	1.12	1.12	1.12	1.12
Aluminum	1.12	1.12	1.12	1.12
Zinc	1.12	1.12	1.12	1.12
Nickel	1.12	1.12	1.12	1.12
Lead	1.12	1.12	1.12	1.12
Iron Ore	1.12	1.12	1.12	1.12
Wheat	1.12	1.12	1.12	1.12
Corn	1.12	1.12	1.12	1.12

## Industrial Metals

Shores	Cash	3 mths	Volume	LME Stocks	chg
Aluminum	1688.5-28.5	1654.0-55.0	113816	773000	-3150
Aluminum Alloy	1480.0-40.0	1510.0-15.0	1156	82740	-440
Copper	2323.0-58.0	2458.0-58.0	42668	132125	+525
Lead	614.5-5.5	624.0-7.0	5240	115870	+152
Nickel	765.0-78.0	778.0-77.0	2874	58915	+132
Tin	5715-5725	5780-5770	4265	11570	+180
Zinc	1327.0-28.0	1340.0-27.0	17734	427275	-2900

## Precious Metals

Item No. Acc.	\$	£	Colours	\$	£		\$	£
Platinum	383.50	239.65	Britannia	389	226	Krugtrands	346359	211215
Palladium	172.85	105.25	Britannia.5 oz	180	116	Sows	80/80	49/55
Silver Spot	4.8350	2.9445	Britannia.25 oz	90	55	Nobles	395	241/25
Gold Bull	346.40	211.691	Britannia.10 ea	41	25	Maple Leaf	332369	213225







element of hardcore steel; enough, certainly, to suggest that he at least would be fully prepared for the task of opening the killing fields of Port Elizabeth a week tomorrow.

"I think we are looking forward with relish to the challenge of confrontation. South Africa is a foreign country with a foreign attitude: when you tour New Zealand you feel you are taking on kindred spirits and we have grown used to the French way of doing things because we play them so regularly, but there is something in Springbok rugby that stands them apart."

Unsurprising, Fran Cotton, a potent symbol of outsize Lions muscle from a bygone age, was every bit as mean and then some. "There will be a lot of talk of '74 down there," said the manager, recalling with obvious glee that seminal tour in which the Springboks had their highly-prized backsides kicked harder, far harder, than ever before.

The South Africans would like to travel to New Zealand, read the history books, but it happened and they know it. Whatever can be drawn from that trip will be drawn, because *in our mind*



anyone else's, career. "There's been a lot of rugby boot, thanks to professionalism, a lot of rest and recuperation as well," he said. "I honestly don't think I've ever felt so fresh at the end of the season." Those heavily perfumed sponsors have ensured that he smells fresh, too. The Springboks will not only need to stay on top of the tourists this summer. They will also need to stay upwind of them.

lence" hut did not see anything alarming in the surface. "If you have two England bowlers on one side and Allan Donald on the other, it will be a challenge," he said. "But I did not see anything untoward. There was some lateral movement, which you want, but no-one has been hit on the gloves or the helmet."

Warwickshire lost their six remaining wickets for 76 yesterday, the last five going in the space of 20 deliveries in a rapid collapse from 138 for 5 to 140 all out after the left-arm spinner, Ian Richard Sepp dismissed the dangerous Trevor Bailey.

Danishman Giles fell two balls later and then 22-year-old Gavin Hamilton was dismissed to claim three wickets in 11 balls.

Exposed to Donald again, with Brown offering good support and Giles getting run, Yorkshire built on a first-innings lead of 93 only with difficulty. At last, though McGrath and Craig White bagged a pair and only Darroo Lehmann and Bradley Parker survived long. But 154 gave them an advantage; and when Gough removed Andy Mokes and the nightwatchman Tony Frost before stumps the odds were shortening against a Yorkshire win.

**Clampdown on fasters.** Jack Russell (59) and Tim Hancock (49) produced an eighth-wicket stand of 81 in 19 overs to keep the pressure on Surrey, for whom Alex Tudor dismissed with 6 for 101, while David Lawrence claimed two of the three Surrey stand-innings wickets in a five-over burst before had Martin brought an early end to the partnership.

**David Boon** (45) and Martin Speight (47) pushed Durham to a useful first-innings lead against Essex at Chelmsford despite being frustrated by the weather. Resuming at 122 for 3 in reply to 237, the visitors finished a rain-restricted day on 236 for 5.

**Dean Jones** made his second Championship half-century of the season for Derbyshire in a rain-affected day at Lord's. Bad light claimed 50 overs and at the end of it Middlesex were 108 for 3 in their second innings. 76 ahead.

He was helped by Peter Johnson, his captain, who seldom wasted the chance to score. There were 10 runs in his 65 before his middle stump was uprooted by Glen Chapple's Yorker.

In contrast Aftab nudged and deflected for his runs and had only one four in his fifty, which he celebrated with an on-drive off Ian Austin for his second.

Austin took four of the last six Nottinghamshire wickets to fall for a cost of 20 runs and bowled at a competitive and brisk medium pace, finding both lift and movement.

runs coming from them before Cowdrey pushed a little too far and was snapped up by Maynard at silly mid-off. Matthew Fleming was superbly taken by Croft off his own bowling and Martin McCague's valiant swat and swipe – he hit the only two boundaries to be taken off Croft, an edged four which almost knocked out Tony Cottee at slip and a huge six over mid-wicket – ended at extra cover.

And amid Croft's vintage display Darren Thomas found some life and line to dispatch Ealham, Paul Strang and Kent's captain, Steve Marsh.

Broome, nevertheless, defends the format, which will see the top three horse and rider combinations in the four trials training automatic selection for the British European Championship squad. "It's up to the others to earn themselves a place instead of moaning about it being a closed shop," Broome said.

Critics of the new trials were quick to point out that there was no water jump at Windsor and, considering that British horses landed in water on no fewer than seven occasions during the Atlanta Olympics, this seemed to leave out an essential element. Broome said that water will be included in the other three trials, the next of which is at Hickstead in July.

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# Emerson primed for ejector seat

Simon Turnbull meets Middlesbrough's 'other' Brazilian, whose efforts have fallen some way short of his reputation



It was another brilliant performance by Middlesbrough's Brazilian genius. Having mastered the English language almost as well as he has the English game, Juninho's form was the highlight of the FA Cup final media day at the Riverside Stadium.

Informed of Ruud Gullit's aversion to man-marking, he replied: "Oh, I feel very happy now." Asked which FA Cup final memories he held from his childhood, he returned the question: "Being honest?"

It was such a spellbinding show nobody in the audience turned round when Boro's boyish Brazilian was asked for whom he had voted in the PFA awards, and a voice at the back of the room shouted, "For me."

Considering Emerson conducted his interview in Portuguese, few could have suspected the quip had come from the man whose own samba beat has long since slowed to a mournful drum-roll down at the Riverside. As a matter of fact, Juninho cast his vote for Gianfranco Zola, the blue-shirted genie

against whose magical powers his own will be inevitably compared on Saturday.

Emerson has topped one poll at the end of his first, and surely last, season in English football. The readers of *Fly Me To The Moon*, Middlesbrough's out of this world fanzine, voted him the biggest disappointment of the season.

Questioned about his maligned compatriot, Juninho mustered a loyal defence. "Emerson has been playing very well," he maintained. "I don't know why some criticise him. He did very well this season. He had great games. He helps Middlesbrough a lot."

It was a shame Paul Daniels, Teesside's less gifted conjuror, was absent. "Not a lot," just about sums up Emerson's contribution to Middlesbrough's cause in the three seasons he has spent in England: autumn, winter and spring.

Since he went Awol in November, citing first a sick aunt and then a sick wife, the midfielder's influence has been minimal. The cracking semi-final goal he scored against Chesterfield

stands out as much for its rarity value as for its own merit.

The early season queue of admirers lining up to back Bobby Robson's assessment of the £4m man he sold from Porto as "the new Bryan Robson" disappeared as the clocks went back and Emerson went back to Brazil.

Instead, he is preparing to play Boro villain to Juninho's hero on the Wembley stage after the disappearing trick he performed down the Elland Road tunnel while his club's Premiership fate still hung in the balance last Sunday.

"I was upset with myself, only myself," Emerson claimed, through his interpreter, yesterday. "I wanted to be on the pitch, helping my colleagues."

The uncapable Brazilian was conspicuous by his absence from morning training on the Riverside pitch, nursing an injured knee which is not expected to keep him out of tomorrow's probable away-against for the high profile members of Boro's foreign legion. Emerson's fall was under a table in the Cammell Suite but he did not look like a man settled into life at the Riverside.



Emerson: 'The culture in this country is very different but it was a very good experience'

Photograph: Allsport

"It was the right decision to come here and I've never regretted it," he said, before perhaps betraying his intentions. "The culture in this country is very different but it was a very good experience."

"Now I'm only concentrating on the FA Cup final. It's the biggest and most important fi-

nal in club football and I hope I'll be 100 per cent fit for it. I'll think about next season later. Whether we win the Cup or not I'll need time to think about it and it's too early to say now."

Not that the man himself was about to accept responsibility for his substandard displays. "I think all the criticism has been

because of jealousy," he said. "The press did not think Middlesbrough could bring top class players to the North-east."

It is a shame for Middlesbrough and for Emerson that, in their fans' view, only one of the top-class players they are taking to London on Saturday is Brazilian.

## Sacchi is ruled out as coach of Madrid

Lorenzo Sanz, the Real Madrid president, intimated yesterday that he has chosen a new coach for next season and it is not Arrigo Sacchi, the manager of troubled Milan. "I know who is going to train Real Madrid. I haven't made an offer to Arrigo Sacchi," Sanz said.

With Sacchi out of the reckoning, Tenerife's Jupp Heynckes becomes the clear favourite to take over from Fabio Capello, who has announced that he will leave Real at the end of the season.

Sanz also dismissed reports that Real players had attempted to persuade Capello to stay on. "Capello has gone, what the players have to do is play, and it will be the club board that decides," he said.

Extra security measures will be taken to guard against match fixing during the Youth World Cup finals in Malaysia next month. Bookmakers are still a threat in the game, Peter Velappan, secretary-general of the Asian Football Confederation, yesterday told reporters in Johore Bahru, one of the venues south of Kuala Lumpur.

Johore Bahru is near to Singapore. Only recently, a Singapore player was charged in court for allegedly fixing a match in the S-League in the country," he said. "At the last Youth World Cup finals in Qatar, two Thai women and three Malaysian men were deported by the authorities for trying to fix the matches there. It could happen again here."

Malaysia was in Johore to inspect Larkin Stadium, site of Group F matches involving England, Mexico, the United Arab Emirates and Ivory Coast for the tournament, which runs from 15 June to 5 July.

In 1994-1995, Malaysia suspended more than a dozen players and coaches for periods ranging from one to three years for alleged match fixing in the domestic Premier League.

Romania's national federation yesterday fined Dinamo Bucharest £870 and ordered the club to pay damages estimated at £12,500 after their fans set fire to a stand, destroying some 700 seats, before last Saturday's match against Steaua Bucharest. Dinamo have also been ordered to play two matches behind closed doors.

## Kafelnikov unable to unravel the puzzle

### Tennis

JOHN ROBERTS reports from Rome

The biggest impact Yevgeny Kafelnikov has made since his triumph at the French Open last year caused a self-inflicted hand wound, the result of taking a swing at a punching bag while messing around in a Melbourne gym in January.

Absent from the Tour for three months as a consequence, the 23-year-old Russian has since experienced difficulty finding form and match fitness for the clay-court season. After losing to Alberto Berasategui in the third round of the Italian Open yesterday, the fourth-seeded Kafelnikov said he

would require "a miracle" to make a successful defence of his title in Paris 11 days hence.

Kafelnikov was being a little hard on himself considering the history of his matches against Berasategui. The Russian has been unable to fathom the Spaniard's contorted style of stroke-making, and yesterday's defeat, 6-3, 6-2, was par for the course. Kafelnikov also failed to take a set in their three previous matches, between 1993 and 1994. "He has a great forehand, and spins the ball and makes me run all over the court," the frustrated Russian said.

Although most players have a *béte noire*, it worried Kafelnikov that he was no nearer to countering Berasategui yesterday than during his formative years.

Kafelnikov's problem goes deeper. Since his victory against Michael Stich in the final of last year's French Open, he has played only one match in a Grand Slam championship. And that was his defeat by Britain's Tim Henman in the first round at Wimbledon.

A groin injury caused him to miss the US Open in August and the punchball episode cost him participation in the Australian Open.

Kafelnikov's defeat yesterday meant that none of the top five seeds had advanced to the quarter-finals. Indeed, the Russian was the only one to have made it to the third round.

Jim Courier surveyed the carnage of the seeds he had helped perpetrate by eliminat-

ing Pete Sampras, the world No 1 in the opening round, and said he would not be surprised if similar events occurred at the French Open. Open is the operative word. As the seeded Courier said, "There is nobody dominating the season."

The Floridian speaks from experience, having won both the Italian and French titles between 1991 and 1993. "That time has passed—not to say that I will never win again at that level," Courier said. "I will not be No 1 again, but if I keep playing like I'm playing now, I can still be competitive."

It will be interesting to see how Courier copes today against Marcelo Rios, the Chilean No 7 seed who won the Monte Carlo Open last month. Rios is one of

only three seeds remaining in the last eight, the others being Alex Corretja and Goran Ivanisevic.

Ivanisevic, No 6, defeated his old adversary, Boris Becker, the 12th seed, 7-5, 6-3. Ivanisevic, like Kafelnikov, has had his injury problems. This is the Croat's comeback tournament after trapping a hand in the door of his apartment in Split last month, breaking his right middle finger in three places.

The last of the Italians lost yesterday. Davide Scaia, a qualifier, who made the most of Tim Henman's collapse after leading, 6-1, 1-0, in the second round, competed well against Scott Draper, who won, 7-5, 6-2. The 22-year-old from Brisbane now plays Ivanisevic for a place in the semi-finals.

## Wigan make pledge to shareholders

### Rugby League

DAVE HADFIELD

Wigan have promised shareholders they will have the last say over any permanent move out of the town. The club's chairman, Jack Robinson, and vice-chairman, Tom Rathbone, will be the subject of an attempt to unseat them at an emergency meeting next Tuesday, after the board's decision to sell Central Park for supermarket development.

The two men say they will resign and offer themselves for re-election if a permanent relocation becomes "the only option". The club is also putting proceeds from the sale of their ground into a trust fund for a new stadium in

the town. Ground-sharing with Wigan Athletic at a new stadium is also on the agenda.

Paul Rowley, the Halifax bookmaker who has been interesting Wigan, is the subject of a bid from Warrington, to whom he could move in return for Iba Koba-Love plus a cash adjustment.

Salford have signed the Australian utility back, Dave Webster, from Hull KR while Huddersfield have recruited the Great Britain Academy forward Nick Fozzard from Leeds.

Colin Maskill has been appointed to coach the Second Division's bottom side, Doncaster, while Andy Goodway is expected to be named as coach of Paris St-Germain when the club's board meets tomorrow.

## Hill's new engine falls short

### Motor racing

Damon Hill's hopes of earning his first points of the Formula One season with his Arrows team has suffered a setback. The world champion said yesterday that the new Yamaha engine lacked "promise" following a testing session at the Magny-Cours circuit in France.

Hill believes he will be forced to use the present engine, which he has already said lacks horsepower. "The new engine we have been trying here hasn't shown too much promise, so we're going to be using the same engine for the rest of the season," Hill said.

The new engine was originally earmarked for the San Marino Grand Prix last month but was set to be introduced at the Spanish round in Barcelona a week on Sunday.

Hill, however, hopes he can

still force his way back into the top 10 on the grid in Barcelona through the team's use of Bridgestone tyres. "We did some testing in Barcelona and if Bridgestone put together their knowledge of the circuit, we could hopefully work our way back into the top 10," he said. Arrows have already been linked with a new engine supplier, Mugen-Honda, for the 1998 campaign.

This year's Portuguese Grand Prix has been cancelled and replaced by a race at the Spanish circuit at Jerez because of doubts about the completion of improvements at the Estoril track, the sport's ruling body, announced yesterday.

The event at Jerez will be known as the European Grand Prix and will take place on 26 October, the end-of-season date scheduled originally for the Portuguese round.

## Slaney in Olympic drug probe

### Athletics

Mary Slaney, the greatest middle distance runner in United States history, is reportedly under investigation following a drug test she took at the Olympic trials last year, writes Mike Rowbottom.

Slaney's attorney, Doriane Lambel-Coleman, told the *New York Times* that the governing body of American athletics, USA Track & Field, was dragging out the investigation, which is said to involve high levels of the male sex hormone testosterone which were detected in a urine sample taken from the 38-year-old former world champion last June.

"There is no question Mary is innocent," the attorney said. "She's been tested probably more than any other athlete. She's never tested positive. She's never taken testosterone or any other steroid. We feel the

evidence is clear and that will be proven."

The newspaper quoted a USA Track & Field official, without identifying him, as claiming it was Slaney's side that was attempting to "bottle up" the case in hearings.

The USA Track & Field would neither confirm nor deny the reports yesterday. A spokesman said no comment was made on doping cases until they had been through the governing body's Doping Hearing Board, and then through the Doping Appeal Board.

Richard Slaney, Mary's husband, said she has been tested five or six times since the Olympic trials and none of those tests were positive.

"There is no positive drug test and there won't be one," he said.

Slaney is currently in competing on the outdoor circuit.

### SPORTING DIGEST

#### American Football

The Houston Oilers and the Memphis and Shelby County Sports Authority signed a letter of agreement on Wednesday to move the NFL team to Memphis for the next two seasons. The team will be known as the Tennessee Oilers.

#### Baseball

AMERICAN LEAGUE: Toronto 7 Detroit 2; New York Yankees 6 Milwaukee 5; Cleveland Indians 4 Oakland Athletics 3; Los Angeles Angels 3 Kansas City Royals 2; Chicago White Sox 7 Minnesota Twins 4.

#### Baseball

NBA Playoffs, second round: Eastern Conference: New York Knicks 81 New York Nets 78 (New York lead best-of-seven series 3-2).

#### Cricket

INTERNATIONAL: CIP (Bangladesh v India) New Zealand 220 for 9 (50 overs, 91.1% strike rate); India 222 for 2 (42.5 overs, 91.1% strike rate, 33.7% strike rate). India win by eight wickets.

#### Equestrianism

WORLD CHAMPIONSHIPS: Dressage: Spain 1, Germany 2, France 3, Netherlands 4, Sweden 5, Italy 6, Belgium 7, Canada 8, Australia 9, United States 10, Japan 11, Korea 12, China 13, Mexico 14, South Africa 15, Argentina 16, Colombia 17, Venezuela 18, Cuba 19, Puerto Rico 20, Chile 21, Paraguay 22, Uruguay 23, Peru 24, Ecuador 25, Bolivia 26, Paraguay 27, Venezuela 28, Cuba 29, Puerto Rico 30, Chile 31, Paraguay 32, Uruguay 33, Peru 34, Ecuador 35, Bolivia 36, Paraguay 37, Venezuela 38, Cuba 39, Puerto Rico 40, Chile 41, Paraguay 42, Uruguay 43, Peru 44, Ecuador 45, Bolivia 46, Paraguay 47, Venezuela 48, Cuba 49, Puerto Rico 50, Chile 51, Paraguay 52, Uruguay 53, Peru 54, Ecuador 55, Bolivia 56, Paraguay 57, Venezuela 58, Cuba 59, Puerto Rico 60, Chile 61, Paraguay 62, Uruguay 63, Peru 64, Ecuador 65, Bolivia 66, Paraguay 67, Venezuela 68, Cuba 69, Puerto Rico 70, Chile 71, Paraguay 72, Uruguay 73, Peru 74, Ecuador 75, Bolivia 76, Paraguay 77, Venezuela 78, Cuba 79, Puerto Rico 80, Chile 81, 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